

SMALL BUSINESS DEVELOPMENT CENTER PROGRAM (Part 1)

JOINT HEARING BEFORE THE SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS OF THE COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES WITH THE COMMITTEE ON SMALL BUSINESS UNITED STATES SENATE NINETY-EIGHTH CONGRESS FIRST SESSION

SEATTLE, WASH., JULY 6, 1983

Printed for the use of the House Committee on Small Business and the
Senate Committee on Small Business



U.S. GOVERNMENT PRINTING OFFICE

29-910 O

WASHINGTON : 1984

5721-7

H 721-11

HOUSE COMMITTEE ON SMALL BUSINESS

PARREN J. MITCHELL, Maryland, *Chairman*

NEAL SMITH, Iowa
JOSEPH P. ADDABBO, New York
HENRY B. GONZALEZ, Texas
JOHN J. LAFALCE, New York
BERKLEY BEDELL, Iowa
HENRY J. NOWAK, New York
THOMAS A. LUKEN, Ohio
ANDY IRELAND, Florida
IKE SKELTON, Missouri
CHARLES W. STENHOLM, Texas
ROMANO L. MAZZOLI, Kentucky
NICHOLAS MAVROULES, Massachusetts
CHARLES HATCHER, Georgia
RON WYDEN, Oregon
DENNIS E. ECKART, Ohio
GUS SAVAGE, Illinois
BUDDY ROEMER, Louisiana
NORMAN SISISKY, Virginia
FRANK McCLOSKEY, Indiana
ESTEBAN EDWARD TORRES, California
TOM J. VANDERGRIFT, Texas
JIM COOPER, Tennessee
JAMES R. "JIM" OLIN, Virginia
C. ROBIN BRITT, North Carolina
RICHARD RAY, Georgia

JOSEPH M. McDADE, Pennsylvania
SILVIO O. CONTE, Massachusetts
WILLIAM S. BROOMFIELD, Michigan
LYLE WILLIAMS, Ohio
JOHN HILER, Indiana
VIN WEBER, Minnesota
HAL DAUB, Nebraska
CHRISTOPHER H. SMITH, New Jersey
DAVID DREIER, California
GUY V. MOLINARI, New York
TOBY ROTH, Wisconsin
GENE CHAPPIE, California
SHERWOOD L. BOEHLERT, New York
MICHAEL BILIRAKIS, Florida
DAN SCHAEFER, Colorado

MAJOR L. CLARK III, *Staff Director*
THOMAS G. POWERS, *General Counsel*
LOIS LIBERTY, *Publications Specialist*
RAYMOND S. WITTIG, *Minority Counsel*

SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS

PARREN J. MITCHELL, Maryland, *Chairman*

NEAL SMITH, Iowa
JOSEPH P. ADDABBO, New York
JOHN J. LAFALCE, New York
RON WYDEN, Oregon
DENNIS E. ECKART, Ohio
GUS SAVAGE, Illinois
THOMAS A. LUKEN, Ohio

JOSEPH M. McDADE, Pennsylvania
HAL DAUB, Nebraska
GUY V. MOLINARI, New York
SHERWOOD L. BOEHLERT, New York

SENATE COMMITTEE ON SMALL BUSINESS

LOWELL WEICKER, Jr., Connecticut, *Chairman*

BOB PACKWOOD, Oregon
ORRIN G. HATCH, Utah
RUDY BOSCHWITZ, Minnesota
SLADE GORTON, Washington
DON NICKLES, Oklahoma
WARREN RUDMAN, New Hampshire
ALFONSE M. D'AMATO, New York
BOB KASTEN, Wisconsin
LARRY PRESSLER, South Dakota

SAM NUNN, Georgia
WALTER D. HUDDLESTON, Kentucky
DALE BUMPERS, Arkansas
JAMES R. SASSER, Tennessee
MAX BAUCUS, Montana
CARL LEVIN, Michigan
PAUL E. TSONGAS, Massachusetts
ALAN J. DIXON, Illinois
DAVID L. BOREN, Oklahoma

ROBERT J. DOTCHIN, *Staff Director*
ALAN L. CHVOTKIN, *Minority Chief Counsel*

CONTENTS

Hearing held on July 6, 1983.....	Page 1
Opening statements of:	
Gorton, Hon. Slade, a Senator in Congress from the State of Washington ..	2
Mitchell, Hon. Parren J., chairman, House Subcommittee on SBA and SBIC Authority, Minority Enterprise and General Small Business Prob- lems.....	1
Wyden, Hon. Ron, a Representative in Congress from the State of Oregon	3
Testimony of:	
Anderson, Craig, president, Anderson Aero Photo.....	59
Budnick, Chuck, Amateck Co.	61
Davis, Donald J., legislative chairman, Chapter No. 180, Service Corps of Retired Executives	41
Deutsch, R. Eden, president, Metaconcepts, Inc.....	53
Ellis, Quinten, president, Peoples Small Business Investment Corp.....	48
Foster, Richard A., president, Diversified Industries	70
Hall, Steve, Regional Administrator, Small Business Administration, Se- attle, Wash.....	27
Herrell, Keith, president, Grays Harbor County Economic Development Corp., and on behalf of the Washington State Charter Boat Association .	74
Hoffman, Susan, president, Intermedia, Inc.	50
Lewis, Penny	62
Little, Christa M., president, Document Services, Inc., and chairman, Altcom Corp.....	68
Markin, Rom J., dean, School of Business and Economics, Washington State University.....	25
McCabe, C. R., vice chairman, Seattle District Executive Council, Service Corps of Retired Executives	39
Owens, Ed, director, Small Business Development Center, Washington State University.....	4
Sailer, Ronald K., president, Automated Business Services, Inc.	66
Thompson, Diane, partner, Panache, Ltd.....	52
Wergen, Bill, president, Rainier Copy Products.....	63
Additional material supplied for the hearing record:	
Clark, D. Joseph, president, Interactive Video Disc, Inc.: Prepared state- ment.....	80
Davis, Donald J., legislative chairman, Chapter No. 180, Service Corps of Retired Executives: Prepared statement.....	42
Deutsch, R. Eden, president, Metaconcepts, Inc.: Prepared statement.....	54
Foster, Richard A., president, Diversified Industries: Prepared statement with attachments.....	72
Herrell, Keith, president, Grays Harbor County Economic Development Corp., and on behalf of the Washington State Charter Boat Association: Prepared statement with attachments.....	75
Hoffman, Susan, president, Intermedia, Inc.: Prepared statement	51
Little, Christa M., president, Document Services, Inc., and chairman, Altcom Corp.: Prepared statement.....	69
Owens, Ed, director, Small Business Development Center, Washington, State University: Prepared statement with additional submissions	9
Sailer, Ronald K., president, Automated Business Services, Inc.: Letter to Committee on Small Business.....	67

IV

APPENDIX

	Page
Letter to Hon. Parren J. Mitchell from Doug Clark, manager, Office of Small Business, Commerce and Economic Development, State of Washington, with attachment, August 15, 1983.....	81

SMALL BUSINESS DEVELOPMENT CENTER PROGRAM (PART 1)

WEDNESDAY, JULY 6, 1983

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON SBA AND
SBIC AUTHORITY, MINORITY ENTERPRISE AND GENERAL
SMALL BUSINESS PROBLEMS, COMMITTEE ON SMALL
BUSINESS, AND SENATE COMMITTEE ON SMALL BUSINESS,
Seattle, Wash.

The subcommittee and committee met, pursuant to notice, at 8:30 a.m., in the South Auditorium, New Federal Building, Seattle, Wash., Hon. Parren J. Mitchell (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN MITCHELL

Mr. MITCHELL. Good morning, ladies and gentlemen.

I am very pleased to be here in Seattle. With me this morning representing the Senate Small Business Committee is your own Senator, Senator Slade Gorton, and representing the House Small Business Committee, Congressman Ron Wyden of Portland, Oreg. I am very pleased that both of these gentlemen are interested enough in this program to take time from their busy schedule to be here today.

The topic of today's hearing is a management assistance program, administered by the Small Business Administration through the local small business development centers.

This program actually began in 1977 as a university small business development center program, having originally been conceived by SBA management assistance officers and several deans of business colleges. Originally there were eight centers in seven States, each of which was funded for \$40,000 per year.

Subsequently the program was modified and enacted into law in 1980 as a part of Public Law 96-302. Although the small pilot program being operated by the SBA was fairly successful, we, and I think I speak for both the Senate and the House committees, were not willing to commit ourselves to a large multimillion-dollar program without testing. Thus when it was enacted, the Congress decided that it would be a test program. As a result, the statute provides for the operation of this program for some 4 years to allow a more adequate trial and review by the Congress.

This program is scheduled to expire September 30, 1984.

The purpose of this joint hearing today is to initiate the review process on the program so that we may determine the propriety of its continued existence.

During the course of this review, I would anticipate holding other hearings in several other of the 20 States where the program now exists. If these reviews are favorable, we will then draft legislation to extend the program and make such changes as might be necessary.

In reviewing the program, one of the best sources of input on its effectiveness is those small businessmen and women who have participated in it. I know most of our witnesses today that are scheduled to appear are truly the very small businesses, the mom and pop type of business. For some of them, being here is a great sacrifice. It means that you close your business to come to testify, and be grateful to you for your participation.

We appreciate the sacrifice on the part of everyone. And I want to assure everyone that all of their experience with this program is very vital to us, and will gratefully assist us in reviewing this program.

I will now ask Senator Gorton if he has some opening remarks.

OPENING STATEMENT OF HON. SLADE GORTON, A SENATOR IN CONGRESS FROM THE STATE OF WASHINGTON

Senator GORTON. Thank you, Mr. Chairman.

Before we begin, I would like to thank you very much for your graciousness in making this a joint hearing of our two committees, and thus allowing me the chance to hear what our witnesses have to say about this worthwhile program.

Congressman Mitchell's concern for the small business community and his forceful leadership as chairman of the House Small Business Committee are nationally regarded. And I appreciate this opportunity to work with him.

I am delighted as well to welcome Congressman Wyden of Portland, Oreg., to Seattle. Congressman Wyden is a dedicated Member of Congress and a delightful individual.

The purpose of today's hearing is to take a look at SBA's small business development center program, particularly as it has operated here in Washington over the past 6 years. Washington State's SBDC program is one of the oldest in existence, as well as one of the largest, and I think we can gain valuable insights into the program as a whole by examining the impact it has had on businesses and communities in each of the 6 areas it serves.

This hearing is preliminary to one which the Senate Small Business Committee will hold back in Washington on July 19, to review the overall effectiveness of the SBDC program. As many of you here today know, due to the way the legislation was drafted, this program will expire in October of next year unless Congress takes steps to extend it.

I have joined with Senator Weicker, the chairman of the Senate Small Business Committee, and Senator Nunn, the ranking minority member, introducing a bill to make the program permanent. Before our committee takes any action on that legislation, however, I believe it is important for us to take a good long look at how the program has worked throughout its 7-year history, and how it compares to other public and private sector management assistance

delivery systems currently available to small business owners and operators.

For instance, the committee is particularly interested in knowing the value of the SBDC's services to businesses in the community. Does it provide programs and services that would not otherwise be available, or is it duplicative of other programs already being offered by, say, the local chamber of commerce or the State economic development department.

What is the working relationship of the SBDC with the rest of the community?

Does it work in cooperation and coordination with local and State business organizations, as well as groups such as the Service Corps of Retired Executives [SCORE], and the Active Corps of Executives [ACE], or is it a lone entity, operating independently of other resource groups?

What is its relationship with the State and the State legislature, to whom it must go each year for matching funding?

And finally, are there any legislative or administrative changes that need to be made in the operation of the program overall to increase its service and effectiveness as a national small business assistance tool?

I hope that our witnesses today can offer some insights and recommendations to address these concerns. We, here in Washington, are fortunate that our SBDC program has been rated one of the best of the 23 centers now operating around the country. Hopefully, the experiences our witnesses have had in building that track record will be of help to us as we try to judge the program overall at our hearing 2 weeks from today.

Testifying before this joint hearing today will be officials from the State, the university, and the SBDC, as well as businessmen and women who have used the services of the program, and community and business leaders whose efforts have brought them into frequent contact with the SBDC.

I look forward to hearing what each of these individuals has to say.

Mr. MITCHELL. Thank you very much, Senator.

May I ask Congressman Ron Wyden if he has an opening statement?

OPENING STATEMENT OF HON. RON WYDEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. WYDEN. Thank you very much, Mr. Chairman.

On behalf of both the Senator and myself, I want to say that we are very glad to have the Small Business Committees here in the Pacific Northwest.

Let me tell you how much I enjoyed yesterday and your taking time from your busy schedule. It is not often you get to have a hearing with two friends, you and Senator Gorton. Senator Gorton has been a leader on small business issues.

I am very pleased to be here. I think it is timely the committee is looking at this program today. I am convinced if we will really promote long-term economic growth here in the United States, we are

going to have to develop a new partnership, a new private-public partnership between small business and the educational system.

The program we are looking at today has that kind of potential, a potential to put in place not an adversary relationship between small business and Government, but a new kind of partnership to work cooperatively. When I talk to small business, I always tell them I am on the Small Business Committee and ask what kinds of things they think we ought to be focusing on. They always say, look at the educational system, see the opportunities for us there to develop into links between business and education, look at ways in which we can supply the trained workers we are going to need for the 1980's and 1990's.

I would just wrap up with one statement, Mr. Chairman.

I think we are all committed to lowering the deficit. Big deficits are poison, they produce high interest rates. I think as we look at the deficit there are a lot of areas we can make some cuts. I think there is fat in our military budget that can be trimmed, and trimmed without sacrificing the defense we need. Frankly, I think there are some areas where we ought to spend more, and I think one of those areas is education and the kind of services we are going to look at this morning.

I think this program gives us a chance to recapture a fair sense of priorities here in the United States. I very much appreciate your taking the lead. You always do on important issues, so we can hear testimony about how this program works at the grassroots level.

Mr. MITCHELL. Thank you very much.

Our leadoff witnesses this morning are Ed Owens, director, Small Business Development Center, Washington State University; Rom Markin, dean, school of business and economics, Washington State University; and Steve Hall, regional administrator, Small Business Administration in Seattle, Wash.

Gentlemen, we have copies of your testimony. What I would like to recommend is that the testimony in its entirety be submitted for the record and that you go through it, emphasizing the highlights, the high points that you want to make. It is only a recommendation.

I don't know who wants to lead off. I guess we will use the democratic method of letting the person designate himself who wants to lead off. That would be you, Mr. Owens.

TESTIMONY OF ED OWENS, DIRECTOR, SMALL BUSINESS DEVELOPMENT CENTER, WASHINGTON STATE UNIVERSITY

Mr. OWENS. Mr. Chairman, thank you very much.

Mr. Chairman, members of the committees, it is a pleasure to have the opportunity to testify before you about the small business development center program.

I believe we have a strong program in the State of Washington. We are structured in a manner which is important, I believe, to the delivery of services to the small business sector.

Hopefully, today during the course of this hearing you will have the opportunity to hear from a number of our clients who have benefited from the types of services we do deliver.

The Washington State University SBDC program is structured in a manner very consistent with the long tradition that Washington State University has of service to the public sector. And I think that is a crucial element in the mix of services we are talking about. Institutional support to benefit the delivery of management and technical assistance services is a very important element in the mix of services we have to deliver. Without that support, we wouldn't have an effective program, and we do have that support and I think it is important that the record note that.

The WSU SBDC first became operational in August 1976. It precedes the activity of the program we are here to testify about today. The man to my immediate right, Dr. Rom Markin, dean of the college of business, led the effort within the institution early on to form a service for small business. We joined the SBDC network in 1979.

We are also a university EDA center. That mix of services, SBDC program and EDA University Center, enables us to service both the short-term immediate needs of the business people we deal with and to be able to direct our attentions to long-term economic development activity.

We have a memorandum of agreement with SCORE in the State of Washington. This memorandum of agreement has been used by four other States as models—Rhode Island being one—to create and foster an environment for creative effort between the two entities, both SCORE and SBDC.

Within the State of Washington we have a somewhat unusual mix of resources. We are not exclusively a consortium-based, university-based network. We have branch offices and participating institutions. That mix has been important I think in terms of some of the activities we have tried to deliver within a community.

During the last 7 years the center has worked to assist a wide variety of State businesses. We have a broad network of private-sector and public-sector relationships that have been formed. This includes chambers of commerce—as an example, the Tacoma Chamber of Commerce, we have an outreach program through them—and various other locations. We are also working with the Spokane chamber and others.

A wide range of associations—an example of that would be the accounting association here in the Seattle area works with us to provide speakers on programs we cosponsor. We work with banking associations, attorneys groups, patent groups, a wide, broad range. It is important, we think, to the delivery system that we have access to the public sector and the kinds of skills and resources they possess. This way we don't have to buy it, frankly. We are able to link our client system up with resources that would not otherwise be available to them.

Many small businesses are not in a position where they can financially afford the kind of linkages that the SBDC is capable of delivering, and we feel that too is a very important consideration.

The services provided through the WSU system targets four areas. Pragmatic one-on-one counseling. We think it is very important to have a resource base that understands what small business is dealing with and can relate to that and can help them out.

Second, we feel research into technical and general small business problems is a very important contribution of the small business development center, not only in the State of Washington, but nationally. Third, educational programs geared to the needs and interests of small business.

We do an annual needs assessment survey in the areas we serve, working with chambers, junior colleges, port districts, economic development councils, and the like and from this we develop our training program, targeted to the needs of the local level. We think that is a very important consideration and approach.

Finally, the small business sector is the single-most-important contributor to innovation in the marketplace in development of new technology. Washington State University has an innovation assessment center. We feel one of our four main priorities is the development of processes that enable small businessmen to transfer technology into the marketplace. That element of our program is very, very new, but increasingly becoming effective, and hopefully today you will hear something about that.

Organizationally there is an element within the organizational structure of Washington State University that I think is important to mention.

A management philosophy of our approach is that we take our services to the marketplace, we don't expect the marketplace to come to us.

Most of the outreach offices of the Washington State SBDC are rented office space located within the business communities, and staffed by full-time professional people.

In fact, all of the counseling system throughout the State of Washington are full-time people. These individuals must have successfully owned or operated one or more small businesses and demonstrate small business consulting experience.

We do prefer a master's degree in an appropriate field. However, we don't require that. We require at least 5 years of experience in either the manufacturing or engineering sector from the people who work for us. So many of American small businessmen need access to engineering and manufacturing process types of information, and if our staff people are not familiar with it, they cannot provide that kind of assistance. Roughly 30 percent of our client base need that kind of assistance on an annual basis so our staff must possess good communication skills and a working knowledge of university systems and procedures.

We feel, in Washington State, this mix of requirements for a staff person is terribly important and has in an important way contributed to what we see as a very successful program. Academic credentials are important, and I don't want to discount the importance of that. However, we feel greater weight needs to be given to practical experience.

Graduate students, students, and faculty of participating institutions, are also important contributors and cannot be overlooked.

One of the successful programs that we maintain and operate utilizes in the export area staff expertise of a faculty member at Washington State University who coordinates studies through his classrooms to benefit SBDC clients. The center doesn't have to pay

for this resource, we have access to it, and the results are very, very useful.

I mentioned earlier the SCORE/ACE relationship we have in the State. I would like to touch upon that relationship very briefly.

The Spokane area basic services subcenter is the example within Washington State that has made the greatest amount of progress. We have two SCORE counselors who work on a regular basis to counsel clients. They act as referral sources and we use them to supervise students who are working on projects. Further activities are underway to expand this relationship throughout the State in the next few months.

Activities are underway in the Seattle district SCORE area to pursue better working relationships than we do have with SCORE. Progress is a little slower on this side of the State, and efforts are being made through SBA and through the SBDC to improve this relationship.

Private sector consultants are considered crucial to the organizational objectives of our State's SBDC.

We have a significant amount of effort devoted to utilizing private sector resources, both in the counseling and research areas as well as training.

Under a program impact—I am going to briefly touch on this—my written testimony contains considerable detail on the impact of the program. In a kind of summary sense, Washington State University over the 6-plus years of its existence has serviced 5,717 clients through our network of resources. Most of these, 77 percent, have sales of less than \$500,000. They are truly America's small businesses, 46 percent of the requests we receive are financial in nature.

The issue of finance needs of small business is very evident. Of those seeking assistance, 39 percent are sole proprietors; 81 percent are from clients with four or less employees, and 10 percent of those seeking assistance are minorities.

In the State of Washington the minority mix is 7 percent of the total population. So we feel we have done a good job in that area as well.

Our research area in fact is something that I think I would like to touch upon just very briefly.

Washington State University SBDC provides a research service mix to the State of Washington. A good example of this would be in the area of coastal marine fisheries, and recreational fisheries. We have done several research projects in this area that have been economic overview projects. These projects in the long run we feel have helped some 4,000 businesses in the State of Washington to become more effective.

Leveraging major research activity through an institution such as Washington State University is economic good sense. We feel very strongly about research contributions and would urge the committee in its future considerations to recognize the value of long-term economic research as a tool to benefit small business, if it is properly administered.

In the training area, Washington State University has had over 7,000, almost 7,700 people attend various training programs, such as accounting, finance, general management, and marketing. We

have found the need of small business is somewhat fluid. Sometimes national priorities are terribly inappropriate to the actual need of the small businessman. We feel the training area is also an area where Federal dollars can be very, very effectively leveraged, and would encourage the committee to continue to make the training area an important criterion. The linkage obviously to institutions of higher education and their ability to assess the marketplace and to deliver training services is obvious. It is a very important element of the SBDC network.

I would like to note that over 1981 and 1982 Washington State University SBDC had over 2,700 man-hours of resources donated to it from the private sector—bankers, real estate, general management, advertisers, CPA firms, legal firms, engineering, and insurance firms. In the training area, nearly 50 percent of all the training conducted by the Washington State University SBDC is done by private sector consultants. We think that is an important contribution.

Impact on the State economy is also something that I would like to address briefly.

The SBA standard operating procedure for the SBDC program do not require checks of economic impact data. However, we collect these data because we think it is important for the types of things we are trying to undertake. Within Washington State over the last 6½ years, 5,984 jobs have been saved or created through our activities. We think that is an important number.

There are \$447 million in capital investment that have been generated; 577 new jobs were created last year alone through the expansion of existing firms, in a recessionary period. I think that is an important number.

Based on the Washington State department of revenue data, the Washington State University SBDC has contributed \$134.4 million of personal income to State residents over the 6½ years of our activities.

The \$9.2 million in State general revenues have been generated. In addition, our job-related activities have produced \$4.7 million in other State and local taxes.

The total estimated tax impact as a result of SBDC activities within Washington State as of the end of 1982 is slightly over \$13.9 million. That is a ratio of 9.8 to 1, for every State dollar we have expended.

Our total governmental expenditures have been \$2.9 million over the same period, Federal and State combined.

I very much appreciate, Mr. Chairman, your comments earlier about the SBDC program and Senator Gorton's comments about the quality of our program. We have recently received copies of a study by Centaur Associates announcing Washington State University as one of the top four programs in the Nation for overall performance. We think that is an important measure. We are very pleased that you would like to have the opportunity to talk about our program and that impact.

My written statement that I have submitted to the committee contains considerable additional detail. I have attempted to summarize what I consider to be the key points.

I would be glad to answer any questions.

[Mr. Owens' prepared statement with additional submissions follows:]

PREPARED STATEMENT OF ED OWENS, DIRECTOR, SMALL BUSINESS DEVELOPMENT CENTER, WASHINGTON STATE UNIVERSITY

Mr. Chairman and Members of the Committee, it is a pleasure to have the opportunity of testifying before you on the value of the Small Business Development Center (SBDC) program within Washington State. My remarks will be directed to operational characteristics and program impact of the Washington State SBDC.

In 1977, the first hearings were held on proposals that ultimately led to enactment of the Small Business Development Center Act of 1980. A major objective of the Act was to test the concept that private sector, university, state, and federal government resources could be combined in a partnership to serve small business, much along the line of the Agricultural Cooperative Extension Service model created by Congress over 100 years ago.

Centers created by the 1980 Act (Public Law 96-302, July 2, 1980) were to rely, primarily, on university-based resources and linkages with the private sector in partnership with the U.S. Small Business Administration (SBA). A major goal of this partnership was defined as delivering quality management assistance, to the small business sector, through research, counseling, and training. There are now 23 states and the District of Columbia with Centers in operation nationwide, including one in this State of Washington.

CENTER BACKGROUND

Washington State University, in a manner consistent with its long tradition as a major Land Grant University, recognized in the mid 1970's the value of an extension effort to serve small businesses. Using the highly successful Agricultural Extension Service as a model, W.S.U. embarked upon the development of an extension service for small business within Washington State.

What is now the W.S.U. SBDC first became operational on August 20, 1976. Initial funding for the Washington State University program came from W.S.U. and the Economic Development Administration. Dr. Rom Markin, Dean of the W.S.U. College of Business and Economics, led the early efforts to establish a small business assistance program at W.S.U. He continues to play a significant management role in the on-going development of the W.S.U. effort. In October, 1979 Center activities were expanded to include the Small Business Administration (SBA) Small Business Development Center program (SBDC). Washington State University has consistently supported the Center by making available match resources in the form of salaries, support services, and related resources.

Early services provided by the SBDC were limited to the delivery of management and technical assistance in the form of client counseling. In July, 1979 research support services were added to the SBDC delivery system. Since then, a training delivery system (November, 1979) and Innovation Assessment Center (September, 1982) have been added to the Center's overall assistance package.

The first office opened by the SBDC (other than the administrative center) was Yakima, Washington in late 1976. The Olympia branch office of the SBDC became operational in early 1977 followed by Seattle early in 1978. Eastern Washington University joined the SBDC consortium late in 1979 with an office located in Spokane. In mid-year 1981, the State Department of Commerce and Economic Development, Office of Small Business, (through a Memorandum of Agreement) became a member of the SBDC delivery system with the two agencies' activities coordinated through one system. The most recent addition to the SBDC consortium within Washington State, Western Washington University (WWU), activated services in late 1982. The WWU facilities are housed in Bellingham, Washington. A part-time office is maintained in Port Angeles, Washington by W.S.U.

During the nearly seven years that the Center has worked to assist state businesses, a wide network of private sector and public sector relationships have been formed that include chambers of commerce, port districts, various two and four year institutions of higher education not members of the consortium, economic development districts, various agencies of state, county, and federal government, and a wide range of associations. Bankers, accountants, attorneys, and other professional consultants and resources regularly provide assistance to SBDC clientele and/or receive referrals from the SBDC. Whenever possible, every effort is made to utilize private sector resources to assist counseling clients and conduct SBDC-sponsored training activities.

PROGRAM DESCRIPTION

The university directed mandate of the W.S.U. SBDC is to provide a variety of assistance to small and minority firms throughout Washington State consistent with the overall University objective of service to the State. The specific functions of the W.S.U. administered SBDC effort within Washington State are to:

- (1) Provide pragmatic one-to-one individual counseling to small business firms throughout Washington.
- (2) Coordinate and conduct research into technical and general small business problems.
- (3) Develop and offer educational programs geared to the needs and interest of small business persons.
- (4) Assist in the development of new innovations and the transfer of new technology.

Types of assistance provided by the SBDC cover a range of management and technical assistance services. Included in the services package provided by the W.S.U. SBDC network are new venture analysis, business plan development, organizational structure assistance, analysis of marketing plans, assistance in the development of financial plans/packages, merchandising, advertising, and plant work flow analysis, to name a few areas where direct assistance is provided. In short, assistance is available to the small businessperson in all the functional areas of operating and managing a viable business enterprise.

Any small business firm, community group, or individual in the State of Washington may request assistance from the SBDC. Priority attention is given to those projects which can, through the management and technical assistance services of the SBDC, contribute to the stability and growth of the small business sector of the economy. The SBDC does not charge for counseling services provided.

Research support services to SBDC field staff are an important element of the W.S.U. SBDC delivery system. Often, the greatest service that can be provided is to isolate and provide a client with access to information and/or resources important to the development of a business, marketing, or financial plan. These services are provided at no charge to SBDC clients. The Center also maintains a contract research capability to service major research efforts. This service is operated on a cost recovery basis.

Training programs administered through the SBDC are often provided at no cost or very low cost to participants in accordance with SBA Standard Operating Procedures for the SBDC program. The primary objective of the SBDC training effort is to provide for the delivery of relevant and timely information to the small business sector. Significant emphasis is placed on the utilization of public and private sector co-sponsorships for SBDC training programs.

As has been noted many times over, the small business sector is most responsible for the introduction of new innovation. The Washington State Legislature, in 1982, provided seed monies through the Office of Small Business, Department of Commerce and Economic Development for the formation of an Innovation Assessment Center through the delivery system of the SBDC. This Center, for a fee of \$95.00, evaluates inventions and/or concepts submitted to the Center and provides the inventor with an analysis of the technical and marketing feasibility of the product or idea. In all, assessments of thirty-three environmental, societal, technical, safety, marketing and other variables are performed. The model employed by the W.S.U. SBDC is based on research conducted by the National Science Foundation in the mid and late 70's.

ORGANIZATION DESCRIPTION

The Washington State University SBDC, unlike many Centers across the nation, is a combination of branch offices and consortium members. The majority of SBDC facilities within the State of Washington are housed in rented office space within community business districts and are staffed by full-time professionals. Only the administrative offices of the state SBDC program and offices for the Western Washington University program are housed in university, on-campus facilities. As a management philosophy, it is felt that this approach facilitates the delivery of services by allowing the client to receive services in familiar surroundings—the business environment. We have found that this approach creates increased credibility and acceptance from Center clients.

Staff responsible for the delivery of SBDC services, as earlier noted, are full-time professionals. The minimum requirements for counseling staff are:

- (1) Must have successfully owned and/or operated one or more staff businesses and/or demonstrate significant small business consulting experience.

(2) A Masters degree in an appropriate field is desired, but not required. An appropriate 4-year degree is required.

(3) Must have at least five years experience in either manufacturing or engineering.

(4) Must have good communication skills.

(5) Possess a working knowledge of university systems and procedures.

Although academic credentials are considered important, greater weight is given practical experience in dealing with small business problems. Manufacturing or engineering experience is considered essential. Similar guidelines are used when research, administrative, or training positions at the professional level are available within the SBDC structure.

Important to the overall delivery system of the SBDC are the contributions provided by faculty and students. Often, SBDC field staff call upon the expertise of W.S.U., E.W.U., and W.W.U. faculty to assist the individual needs of Center clients. The contributions made to Center objectives by these faculty, in behalf of Center clients, are considered in-kind match or cash match, as appropriate. With the noted exception of contract research activities, faculty are not reimbursed for their efforts. Students, when used on SBDC projects, are not reimbursed for their efforts. Students, when used on SBDC projects, are always under the direct supervision of either a cooperating faculty member, or SBDC professional staff member. These controls are felt necessary to ensure the delivery of quality work to the small business person seeking assistance.

Students providing assistance to Center clients, unless employed by the Center and under the direct supervision of a full-time staff member, are not reimbursed for their efforts. Graduate Research Assistants employed for projected-specific purposes, such as major contract research activity, are the primary exception. The Small Business Institute Program (SBI) is an important and major resource to the overall SBDC delivery system within the state.

Within the last twelve-month period, significant progress has been made in Washington State in integrating SCORE/ACE and SBDC resources to provide management and technical assistance to local small businesses. Two SCORE counselors now provide assistance through the Spokane Area Basic Services Center on a regular basis and in those areas where an SBDC office and SCORE/ACE office mutually exist, SBDC staff are ACE members. Further activities to expand this working relationship within the State are planned and expected to be implemented over the remainder of 1983.

Support from private sector consultants is considered crucial to the organizational objectives of the Washington state SBDC network and significant effort is made to involve the private sector in counseling, research, training, and innovation-related activities. The Center does not reimburse consultants who provide assistance except under contract research situations, and to limited degree, some training situations.

PROGRAM IMPACT: COUNSELING

As earlier noted, the W.S.U. SBDC became operational as of August 20, 1976. By the end of 1976, twenty-three Center clients had and/or were receiving assistance. Six years later (1982), a total of 1,963 clients received management and technical assistance from the statewide SBDC network.

TABLE 1.—SBDC COUNSELING CLIENTS, AUG. 20, 1976 THROUGH DEC. 31, 1982

Period	EDA program	SBA program		Total
		Short-term ¹	Long-term ²	
Aug. 20, 1976 through Dec. 31, 1976	23	NA	NA	23
Jan. 1, 1977 through Dec. 31, 1977	90	NA	NA	90
Jan. 1, 1978 through Dec. 31, 1978	118	NA	NA	118
Jan. 1, 1979 through Dec. 31, 1979	148	92	44	284
Jan. 1, 1980 through Dec. 31, 1980	150	492	275	917
Jan. 1, 1981 through Dec. 31, 1981	87	915	234	1,236
Jan. 1, 1982 through Dec. 31, 1982	101	1,617	245	1,963
Total	717	3,116	798	4,631

¹ Defined by SBA as assistance between 1 and 12 hours in duration.

² Defined by SBA as assistance provided over 12 hours in duration.

Source: Historical records of the W.S.U. Small Business Development Center.

During the first five months of calendar year 1983, the Center has provided counseling assistance to 64 EDA funded program element clients, 150 SBA funded long-term projects, and 871 SBA funded short-term projects.

Center productivity in 1982, in terms of counseling-related activities, more than doubled 1981 levels—a 120 percent increase over the total system. Should current year trends continue, 1983 counseling productivity will be about 123 percent of 1982 levels with basically the same resource base as available in 1981. The Center presently does not actively advertise its services.

Over the six plus years tenure (through and including 5/31/83) of the Washington State University program, 5,717 clients have obtained assistance from the staff of the Center. Of these 4,936 have been under the Small Business Administration program effort and 781 under the Economic Development Administration funded program. Combined, both programs enable the delivery of an effective, total assistance program.

For the most recent calendar year (1982), 77.2 percent of those served by the SBDC consortium in Washington State had annual sales of less than \$500,000, 46.9 percent of the requests for assistance received were financial in nature, 39.7 percent of those seeking assistance were sole proprietors, 81.7 percent of the requests for assistance received were from clients with four or less employees (including new business start-up situations), and 10.9 percent of those seeking assistance were minorities. Thirty-six percent of the client base were female, a 6.6 percent increase over the previous year (as a percent of total clients), and up 12.7 percent from the first year under the SBA programmatic effort. Similar patterns for assistance to veterans and other SBA-targeted emphasis groups have been noted within the SBDC data base within the State.

PROGRAM IMPACT: RESEARCH

Research activities associated with the Washington State SBDC, to cite a few examples, have included a coastal marina feasibility study (for an Indian tribe), several major community and regional demographic studies, a cheese processing plant feasibility study for a multi-state cooperative of milk producers, a study to assess the feasibility of re-opening a Washington State sugar beet processing plant, an energy conservation incentives study for small businesses (currently underway), and several studies related to coastal recreational salmon fisheries. In addition, some 600 plus "mini-studies" have been performed over the last three years at no cost to SBDC clients (basic market profiles, isolation of information resources, etc.).

Often, in the short-run, the value of major economic research efforts undertaken by the Center are not clearly evident relative to the current needs of small business. In the past, in some cases, SBA has questioned the involvement of the Center in such activity. The Center views these activities as important contributions to the long-run economic well-being of the State's small business community. Such research, in our opinion, serves to isolate potential opportunity for new small business enterprise to develop, to enable existing small businesses to better understand existing markets, and contribute to improved understanding of the small business environment in general.

Briefly, to cite two examples, our industry-wide research efforts associated with the coastal recreational salmon fisheries ultimately impact some 4,000 motels, restaurants, bait companies, boat owners, gas stations, gift shops, and related small businesses. Our energy conservation incentives study (funded by the Washington Water Power Company) will be of value to at least the 10,000 plus small businesses serviced by the study sponsor—and may ultimately be of value to the same 110,000 plus small businesses within the state.

PROGRAM IMPACT: TRAINING

The training delivery system of the Washington State SBDC, during calendar year 1982, conducted 136 sponsored and co-sponsored programs with 3,674 attendees (an average attendance of 27 persons per session). Of the total attendees, 42.0 percent were female, 15.0 percent veterans, and 11% minorities.

TABLE 2.—SBDC SEMINARS AND TRAINING PROGRAMS: OCT. 1, 1979–DEC. 31, 1982

Category	Dec. 1, 1979– Dec. 15, 1980	Dec. 16, 1980–Dec. 31, 1981	Jan. 1, 1982– Dec. 31, 1982	Totals
Total programs.....	8.0	69.0	136	213.0
Total attendees.....	143.0	1,975.0	3,674	5,792.0
Average attendees.....	17.9	28.6	27	27.2
Percent of attendees who were:				
Male.....	39.0	64.0	58	59.6
Female.....	61.0	36.0	42	40.4
Veterans.....	NA	7.0	15	12.2
Minorities.....	13.0	7.0	11	9.7

Source: Washington State SBDC Historical Records.

An additional 63 programs with 1,893 attendees have been conducted during the first five months of 1983. Since implementing the training effort in 1979, there have been 276 programs with 7,685 attendees conducted through the Washington State SBDC.

PROGRAM SERVICES IMPACT: 1983

The Washington State SBDC, given current demand on resources, expects to provide counseling to between 2,000 and 2,500 clients, conduct 150 or more training programs with some 3,000 (or more) attendees, undertake between three and six major research efforts, and conduct between 50 and 100 assessments on new innovations during calendar year 1983. Over 40 such evaluations have been undertaken since the Innovation Assessment Center became operational in October last year.

PROGRAM IMPACT: RESOURCE LEVERAGE

Although no formal "measure" exists for leveraging non-funded resources, we consider such activity to be a very important and crucial element of the service mix provided small businesses within our state. The Washington State SBDC regularly utilizes private sector consultants to provide service to Center clientele. The frequency of use is a matter determined by the needs of the client and availability of access to consultants on a no-fee basis. The Washington State SBDC does not pay consultants to perform services for Center clients.

A review of 1981 and 1982 SBDC records show that over this two year period a total of 370 private sector contacts with Center clients were made from referrals associated with Center activity. The total number of known hours of consulting provided free to Center clients from these contacts is 2,018 manhours (or an average of 5.45 manhours per contact). An additional 114 private sector representatives worked with SBDC training efforts by acting as presentors at Center-sponsored and co-sponsored seminars and conferences during the same two year period. These 114 individuals provide 730 manhours (an average of 6.4 hours per person) of resource to the Center.

TABLE 3.—DONATED PRIVATE SECTOR CONTRIBUTIONS

Area of expertise	1981		1982	
	Number of contacts	Number of hours	Number of contacts	Number of hours
Banking.....	68	392	50	206
Real estate.....	11	74	5	28
General management.....	43	268	39	230
Advertising.....	6	22	9	42
CPA/accounting.....	37	174	22	94
Legal.....	10	28	16	78
Engineering, etc.....	18	96	29	250
Insurance.....	2	4	5	32
Training support.....	66	346	48	384
Total.....	261	1,404	223	1,344

Note.—Over the 2-year period under discussion, the known number of contacts are 484 with 2,748 man-hours of direct resource provided in support of center clients and training efforts (an overall average of 5.68 man-hours per contact). Faculty, student, SCORE, and Government agencies are excluded from this distribution.

In short, the Center obtains a great deal of assistance from individuals associated with the private sector, outside agencies, other colleges and universities, as well as various non-SBDC staff and students who are members of the university community. For the first five months of 1983, 43 percent of the total manhours resource devoted to the delivery of counseling services and about 45 percent for training services have been donated to the Center. This assistance is freely given, as long as it is not abused. The University does not possess the leverage (nor should it) to cause or direct such gifts of professional time from such people or agencies. Those who work with the Center program do so because they want to—not because they have to—or because program guidelines mandate such leverage.

The SBDC has a Memorandum of Agreement with SCORE that details a framework for mutual cooperation within the state. The Spokane Chapter of SCORE has been the most active chapter in the state in terms of implementing working relationships with SBDC. Currently, two SCORE representatives service SBDC clients from the Spokane office of the SBDC on a regular basis. Statewide, additional SCORE personnel work on Center cases as needed.

Referrals between SCORE and SBDC occur across Washington State on a regular basis. Occasionally SCORE personnel serve as presentors at SBDC programs. SBDC staff also make presentations at SCORE-sponsored programs. All three members of the Seattle SBDC office and one of the Olympia SBDC staff are members of ACE. Recently, the Center Seattle staff have started to work the SCORE desk (Seattle Chapter) one day a month each in an effort to further improve relations between SCORE and SBDC.

Overall, progress has been made in fostering a number of positive individual level SCORE/SBDC staff relationships. However, some SCORE individuals continue to perceive SBDC as a "threat" or attempting to enroach upon "SCORE TURF" in spite of numerous SBDC (and SBA) attempts to counter this image. Newer members of SCORE less familiar with old animosities have proven to be those individuals most willing to pursue positive, effective networking of resources between SCORE/SBDC. It is among these newer SCORE members that the Center concentrates effort in order to promote positive working relationships. Overall, we are pleased with progress made in the last 18 months and look forward to continued, positive results.

Within the consortium, the SBDC has full responsibility for SBI programs in three institutions. Within the Seattle area, where SBI remains under operational control of SBA, the Center now provides between 20 and 30 percent of all SBI case studies performed. Overall, it is the opinion of the Center that relationships between SBI and the SBDC, within Washington State, are excellent.

IMPACT ON STATE ECONOMY

Although the SBA Standard Operating Procedures for the SBDC program do not require collection of economic impact data, the Washington State SBDC consortium collects such data for local uses. The data collected targets jobs saved through SBDC efforts, jobs created, and capital investments made by SBDC clients. Jobs saved and created data are combined with tax generation data (supplied by the Washington State Department of Revenue) to produce an estimate of the taxes generated in the year jobs were saved or created. No attempt is made to measure out-year impact as retention data beyond the period of client involvement with the Center are not collected. The measurements obtained through this approach are "point-in-time" measurements only and no attempt is made to assess any year-to-year multiplier effect. The Washington State Center has collected such data since 1976.

Over the six and one-half years that the W.S.U. SBDC has provided management and technical services within Washington State, 5,984 jobs have been saved through SBDC activities, 577 new jobs were created through activities associated with expansion of existing firms, and 1,087 new jobs were created through new business start-up activities for a total saved and created impact of 7,648 jobs. Based on Washington State Department of Revenue data, \$134.4 million of personal income to state residents were generated as a result of these job impact activities and \$9.2 million plus in state general revenue dollars were generated. In addition, these same job related activities produced an additional \$4.7 million in other state and local taxes. The total estimated tax impact as a result of SBDC activities within Washington State, as of the end of 1982, exceeds \$13.9 million in state and local taxes generated. No attempt has been made to estimate federal tax revenues that might be associated with these data. The total state and federal dollars expended in support of the

statewide SBDC program for the same six and one-half years (including cash and in-kind match) equals \$2.9 million.

The ratio of state revenue generated to state funds expended (over the duration of the program) stands at 9.6. In recent years, the ratio is closer to \$11 in state revenue for each dollar of state money expended. The ratio at the federal level has ranged (estimated) from 8.2 to a high of 11.1.

SUMMARY

The recently completed study, "An Evaluation of the Economic Impact of The Small Business Development Center Program" (Centaur Associates, Washington, D.C.) notes that the Washington State program is one of the four top SBDC's in the nation in terms of overall performance and one of the top five programs in the quality of recommendations made to clientele. We are the only program nationally to be cited in each of these important performance measures.

The success of our program, I believe, is directly linked to personal involvement at the management level by Dean Markin at W.S.U. and the Deans of Business at Eastern and Western Washington Universities, the use of full-time, highly qualified staff, a marketing approach that emphasizes taking services to the client rather than the client coming to the services, the much-improved working relationship with SBA over the last two year period, and support from the University structure for our efforts.

Although the Center in Washington State does not always see "eye-to-eye" with the SBA on programmatic issues, I believe we have one of the most positive and effective working relationships, nationally. I doubt seriously that the Centaur study would have evaluated our state programs as favorably as it did if our partnership with SBA in this state were ineffective. The program is, after all, a cooperative effort.

As noted in my opening remarks, the SBDC program is a hybrid mix of private and public resources modeled, in part, on the Agricultural Extension Service. The primary goal of the program, as defined in PL 96-302, is to deliver quality assistance to the small business sector by utilizing the reservoir of research, training, and consulting strengths of America's universities, thereby leveraging government resources to the benefit of small business. Although the program is young, it is my opinion that the W.S.U. SBDC has effectively met the intent of its charter, as have others across the nation.

As long as SBA continues to work with their state partners to improve quality, the SBDC program will be effective. It is necessary for SBA to recognize that state objectives are as important as agency goals—both have significant investments in cash and other resources in the program—and that programmatic goals be planned to best utilize the resource base.

If leverage of the University-based resource is to effectively produce quality results, performance should not be solely measured in terms of numbers of clients served, training sessions held, number of training attendees, and similar measures.

Often, to produce "numbers", quality must suffer. The strongest criticism our program has received from state business, government, and legislative leaders is that such people would rather see 100 firms with success potential provided meaningful, long-term assistance than 2,000 firms or individuals whose assistance is tied to artificial manhours requirements to qualify as counseling cases. Jobs, capital investment, and expansion of the tax base are the important issues to leaders in Washington State.

Again, thank you for this opportunity to share with you my remarks about the Small Business Development Center program and its substantial impact on Washington State.

AREAS SERVICED BY WSU SBDC AND BASIC SERVICE SUBCENTERS

Branch office or center	Number of assigned—		Total business firms in area	Number of assigned counties	Square miles serviced
	Population	Communities			
Bellingham Subcenter.....	525,500	34	12,841	4.5	5,251.9
Spokane Subcenter.....	347,600	11	7,230	1.0	1,758.3
Seattle Branch Office.....	1,522,600	35	34,917	2.5	3,621.6
Olympia Branch Office.....	1,160,900	67	29,407	12.0	15,881.0

AREAS SERVICED BY WSU SBDC AND BASIC SERVICE SUBCENTERS—Continued

Branch office or center	Number of assigned—		Total business firms in area	Number of assigned counties	Square miles serviced
	Population	Communities			
Pullman Branch Office	419,100	64	7,503	11.0	18,603.6
Yakima Branch Office	466,300	54	13,406	8.0	21,546.4

AREA OF SBDC EFFORT BY MAJOR ACTIVITY

[Based on total man-hours expended (percent)]

Year	Activity—				Total
	Firm expansion	New venture	Firm stabilization	Community development	
1976 ¹	20.0	10.0	10.0		40
1977	34.5	29.1	28.2	8.2	100
1978	35.1	40.8	16.8	7.3	100
1979	38.2	36.9	21.3	3.6	100
1980	32.8	37.3	29.0	.9	100
1981	34.6	34.4	29.3	1.7	100
1982	21.0	29.9	41.5	7.6	100

¹ 60 percent of 1st year activity devoted to start-up of organization.

SUMMARY OF PERSONAL INCOME, JOB, AND TAX IMPACT AS A RESULT OF SBDC ACTIVITIES IN WASHINGTON STATE

Year	Total job impact ¹	Total personal income impact ²	Total State tax—General revenue impact ²	Total other State and local tax impact ²	Total tax impact
1976	20	\$247,000	\$20,900	\$9,300	\$30,200
1977	55	712,000	62,150	28,325	90,475
1978	225	3,129,750	267,750	112,500	380,250
1979	450	6,894,000	501,750	247,500	749,250
1980	4,782	81,915,660	5,547,120	2,869,200	8,416,320
1981	1,170	22,124,700	1,497,600	772,200	2,269,800
1982	946	19,393,000	1,314,940	681,120	1,996,060
Total	7,648	134,416,110	9,212,210	4,720,145	13,932,955

¹ Total of jobs saved and new jobs created as a product of SBDC activities.² Based upon data prepared by the Washington State Department of Revenue, Research Division, Olympia, Wash., Oct. 1, 1982.

Example of calculation: 10 jobs saved or created times 1982 personal income estimate equals \$205,000 in personal income saved or created. Each 10 jobs are estimated by the Washington State Department of Revenue to create \$13,900 in State general tax revenues and \$7,200 in other State and local taxes for a total tax revenue generated for each 10 jobs of \$21,100.

AVERAGE INCOME AND TAX CONTRIBUTION PER JOB WITHIN WASHINGTON STATE ¹

Year	Individual personal income	Contribution to State general revenue	Contribution to other State and local taxes	Total tax contribution
1976	\$12,350	\$1,045	\$465	\$1,510
1977	12,940	1,130	515	1,645
1978	13,910	1,190	500	1,690
1979	15,320	1,115	550	1,665
1980	17,130	1,160	600	1,760
1981	18,910	1,280	660	1,940
1982	20,500	1,390	720	2,110

¹ Based upon data prepared by the Washington State Department of Revenue, Research Division, Olympia, Wash. (as of Oct. 1, 1982).

CAPITAL INVESTMENT GENERATED THROUGH SBDC PROJECTS; AUG. 20, 1976 THROUGH DEC. 31, 1982

Period	Amount
Aug. 20, 1976 through Apr. 30, 1978.....	\$18,190,000
May 1, 1978 through Apr. 30, 1979.....	70,000,000
May 1, 1979 through Apr. 30, 1980.....	140,700,000
May 1, 1980 through Oct. 31, 1981.....	224,800,000
Nov. 1, 1981 through Dec. 31, 1982.....	24,217,000
Total.....	477,907,000

Note—Based on feedback on investments made by clients, actual loans received by clients as a result of SBDC assistance, etc.

SBDC JOB IMPACT

Year	Jobs stabilized	Jobs created through—		Total jobs impact
		Expansion-existing firms	New business startup	
1976.....	6	14	0	20
1977.....	25	8	22	55
1978.....	178	28	19	225
1979.....	278	85	87	450
1980.....	4,223	171	388	4,782
1981.....	662	170	338	1,170
1982.....	612	101	233	946
Total.....	5,984	577	1,087	7,648

NUMBER OF SBDC COUNSELING CLIENTS (PROJECTS) AUG. 19, 1976–DEC. 31, 1982

	EDA program	SBA program	
		Short term	Long term
		(1–12 hrs.)	(12 hrs. +)
Aug. 20, 1976 through Dec. 31, 1976.....	23	0	0
Jan. 1, 1977 through Dec. 31, 1977.....	90	0	0
Jan. 1, 1978 through Dec. 31, 1978.....	118	0	0
Jan. 1, 1979 through Dec. 31, 1979.....	148	92	44
Jan. 1, 1980 through Dec. 31, 1980.....	150	492	275
Jan. 1, 1981 through Dec. 31, 1981.....	87	915	234
Jan. 1, 1982 through Dec. 31, 1982.....	101	1,617	245
Total.....	717	3,116	798

SEX OF SBDC COUNSELING CLIENTELE, OCT. 1, 1979–DEC. 31, 1982

	Male	Female
Oct. 1, 1979 through Dec. 15, 1980.....	75.9	24.1
Dec. 16, 1980 through Dec. 31, 1981.....	79.8	30.2
Jan. 1, 1982 through Dec. 31, 1982.....	63.2	36.8

SBDC COUNSELING CLIENTELE BY SALES, OCT. 1, 1979-DEC. 31, 1982

(In percent of total client base)

	Oct. 1, 1979- Dec. 15, 1980	Dec. 16, 1980-Dec. 31, 1981	Jan. 1, 1982- Dec. 31, 1982
\$0 to \$99,999.....	24.7	29.4	36.2
\$100,000 to \$199,999.....	22.0	24.2	21.3
\$200,000 to \$299,999.....	10.4	9.8	11.8
\$300,000 to \$499,999.....	9.1	9.9	7.9
\$500,000 to \$999,999.....	5.2	7.1	6.2
\$1,000,000 to \$1,999,999.....	10.4	4.5	6.6
\$2,000,000 to \$2,999,999.....	2.6	3.3	1.7
\$3,000,000 to \$3,999,999.....	1.3	1.3	.9
\$4,000,000 to and above.....	14.3	10.5	7.4

TYPE OF COUNSELING PROVIDED TO SBDC CLIENTELE, OCT. 1, 1979-DEC. 31, 1982

Nature of assistance requested	Oct. 1, 1979- Dec. 15, 1980	Dec. 16, 1981-Dec. 31, 1982	Jan. 1, 1982- Dec. 31, 1982
Financial.....	30.4	32.7	46.9
Management.....	39.9	35.6	23.6
Marketing.....	24.4	24.8	28.2
Manufacturing.....	5.3	6.9	1.3

SBDC COUNSELING CLIENTELE BY FORM OF OWNERSHIP, OCT. 1, 1979-DEC. 31, 1982

(In percent)

Form of ownership	Oct. 1, 1979- Dec. 15, 1980	Dec. 16, 1980-Dec. 31, 1981	Jan. 1, 1982- Dec. 31, 1982
Sole proprietorship.....	41.3	40.7	39.7
Corporation.....	33.1	23.6	27.2
Partnership.....	10.3	14.9	13.1
Other.....	4.8	5.1	1.1
Cooperative.....	2.0	1.3	.2
Data not available/applicable.....	8.5	14.4	18.7
Total.....	100.0	100.0	100.0

EMPLOYEE DISTRIBUTION OF SBDC COUNSELING CLIENTELE, OCT. 1, 1979-DEC. 31, 1982

(In percent)

Category	Oct. 1, 1979- Dec. 15, 1980	Dec. 16, 1980-Dec. 31, 1981	Jan. 1, 1982- Dec. 31, 1982
1 self-employed person ¹	23.5	76.4	55.3
2 to 4 employees.....	42.5	16.2	26.4
5 to 9 employees.....	14.5	3.5	6.9
10 to 14 employees.....	4.4	.9	1.1
15 to 19 employees.....	3.5	1.0	6.8
20 to 29 employees.....	5.1	.8	1.3
30-plus employees.....	6.5	1.2	2.2
Total.....	100.0	100.0	100.0

¹ Includes new startup activity

SBDC COUNSELING CLIENTELE BY SIC CODE, OCT. 1, 1979-DEC. 31, 1982

[In percent of total client base]

SIC category	Oct. 1, 1979- Dec. 15, 1980	Dec. 16, 1980-Dec. 31, 1981	Jan. 1, 1982- Dec. 31, 1982
Agriculture, forestry, and fishing.....	—	2.6	3.4
Mining.....	0.4	.3	.1
Construction.....	5.8	4.4	2.1
Manufacturing.....	33.6	25.3	26.2
Transportation/public utilities.....	3.1	2.5	.9
Wholesale.....	5.3	4.5	3.8
Retail.....	16.8	22.0	26.8
Finance, insurance, real estate.....	5.8	3.5	—
Services.....	23.9	32.3	34.7
Public administration.....	4.4	2.2	1.7
Not classifiable.....	.9	.4	.3
Total.....	100.0	100.0	100.0

ETHNIC DISTRIBUTION OF SBDC COUNSELING CLIENTELE, OCT. 1, 1979-DEC. 31, 1982

[In percent of total client base]

	Oct. 1, 1979- Dec. 15, 1980	Dec. 16, 1980-Dec. 31, 1981	Jan. 1, 1982- Dec. 31, 1982
Hispanic:			
General State population.....	2.4	2.5	2.4
SBDC clientele.....	2.6	2.4	2.6
Native American:			
General State population.....	1.3	1.4	1.4
SBDC clientele.....	2.1	1.3	1.5
Asian/Pacific Islander:			
General State population.....	1.8	4.4	4.3
SBDC clientele.....	2.6	2.9	3.1
Black:			
General State population.....	2.3	2.4	2.3
SBDC clientele.....	3.4	3.0	3.2
Caucasian:			
General State population.....	91.9	88.8	89.2
SBDC clientele.....	88.8	89.8	89.1
Other:			
General State population.....	.3	.5	.4
SBDC clientele.....	.5	.6	.5

SUMMARY OF SEMINARS/TRAINING PROGRAMS AND ATTENDEES: OCT. 1, 1979-DEC. 31, 1982: WSU
SBDC ¹

	Oct. 1, 1979- Dec. 15, 1980	Dec. 16, 1980-Dec. 31, 1981	Jan. 1, 1982- Dec. 31, 1982	Totals
Total number of programs conducted.....	8	69	136	213
Total number of attendees.....	143	1,975	3,674	5,792
Average number of attendees per session.....	17.9	28.6	27.0	27.2
Percent of total attendees who:				
Were male.....	39	64	58	59.6
Were female.....	61	36	42	40.4
Were veterans.....	(²)	7	15	³ 12.2
Were minorities.....	13	7	11	9.7

¹ Data are based on complete participant population, not sample data² Not available for the period Oct. 1, 1979 through Dec. 15, 1980.³ Excludes the period Oct. 1, 1979 through Dec. 15, 1980.

SIZE OF FIRMS SERVED BY SBDC EDUCATIONAL PROGRAMS, DEC. 16, 1980-DEC. 31, 1982 ¹

[In percent]

	Dec. 16, 1980-Dec. 31, 1981	Jan. 1, 1982- Dec. 31, 1982
Number of employees:		
1 to 5.....	47	53
6 to 15.....	31	26
16 to 25.....	19	7
26 to 100.....	2	11
100 to 200-plus.....	1	3
Annual sales in dollars:		
0 to 250,000.....	49	58
251,000 to 500,000.....	22	17
501,000 to 750,000.....	4	4
751,000 to 1,000,000.....	6	8
1,100,000 to 5,000,000.....	14	11
5,100,000 to 25,000,000-plus.....	5	2

¹ Data are based on complete participant population, not sample data.

SUMMARY OF ALL PARTICIPANTS' EVALUATIONS ON SBDC EDUCATIONAL PROGRAM, DEC. 12, 1980-DEC. 31, 1982

	Percent citing category during—	
	Dec. 16, 1980—Dec. 31, 1981	January 1, 1982—Dec. 31, 1982
Program content:		
Excellent.....	33	32
Very good.....	42	43
Good.....	20	18
Fair.....	5	6
Poor.....	0	1
Total.....	100	100
Program format:		
Excellent.....	27	28
Very good.....	40	47
Good.....	26	20
Fair.....	6	4
Poor.....	1	1
Total.....	100	100
Program presenters:		
Excellent.....	44	42
Very good.....	35	40
Good.....	17	14
Fair.....	4	3
Poor.....	0	1
Total.....	100	100
Overall value:		
Great value.....	28	33
Considerable value.....	40	41
Some value.....	26	22
Little value.....	6	4

SUMMARY OF ALL PARTICIPANTS' EVALUATIONS ON SBDC EDUCATIONAL PROGRAM, DEC. 12, 1980-
DEC. 31, 1982—Continued

	Percent citing category during—	
	Dec. 16, 1980—Dec. 31, 1981	January 1, 1982—Dec. 31, 1982
No value	.4	0
Total	100	100

PARTICIPANT INFORMATION ON SBDC EDUCATION PROGRAM ATTENDEES, DEC. 16, 1980-DEC. 31,
1982 ¹

[In percent]

	Dec. 16, 1980—Dec. 31, 1981	Jan. 1, 1982— Dec. 31, 1982
Reason for attending programs:		
Owner/manager of small business	57	40
Employee of a small business	21	9
Student in small business		13
Small business instructor		4
Planning to start a small business	6	19
State/Federal employee		6
Professional consultant	5	3
SCORE/ACE member		
Other	11	6
Total	100	100
Type of ownership:		
Corporation	54	48
Proprietorship	34	28
Partnership	10	23
Cooperative	2	1
Total	100	100
Type of business:		
Manufacturing	7	10
Wholesale	10	9
Retail	55	44
Services	18	31
Professional	7	5
Other	3	1
Total	100	100
Type of industry:		
Agriculture, forestry, fishing	12	8
Mining		1
Construction	12	8
Transportation	3	7
Finance, insurance, real estate	16	15
Public administration	1	7
Education	4	8
Other	52	46
Total	100	100

¹ Data are based on complete participant population, not sample data

1982 SEMINAR AND TRAINING PROGRAM TOPIC AREAS

Subject	Number of seminars	Number of attendees	Average attendees per session
1. So You Want To Be an Entrepreneur	19	522	27.5
2. Economic Development Through Small Business.....	12	374	31.2
3. Retail Inventory Control	11	154	14.0
4. Cash Management	9	175	19.4
5. Resources Available to Small Business	9	132	14.7
6. Retail Selling	8	777	97.1
7. Financial Management	7	106	15.1
8. Computers	7	120	17.1
9. Advertising	6	119	19.8
10. Tax Considerations	6	172	28.7
11. General Management	6	216	36.0
12. Investment Alternatives	6	83	13.8
13. International Trade	5	327	65.4
14. Sales and Customer Relations	4	43	10.7
15. Banking Relations	3	27	9.0
16. Insurance Risk Management	3	27	9.0
17. Human Resource Management	3	55	18.3
18. Recordkeeping	2	43	21.5
19. Profit and Pension Planning	2	17	8.5
20. Credit and Collections	2	36	18.0
21. Women in Business Management	2	97	48.5
22. Business Structures	1	7	7.0
23. Negotiation Skills	1	5	5.0
24. Innovation Assessment	1	11	11.0
25. How To Buy/Sell a Business	1	29	29.0

LOCATION AND ATTENDANCE PATTERNS, 1982—SBDC SEMINARS AND TRAINING PROGRAMS

Location	Number of seminars	Number of attendees	Average number of attendees per sessions
Bellevue	21	396	18.8
Seattle	18	205	11.4
Spokane	13	430	33.1
Ballard	9	133	14.8
Ingraham	9	139	15.4
Port Angeles	8	312	39.0
Tri-Cities	7	117	16.7
Pullman	6	171	28.5
Newport	6	124	20.7
Sea-Tac Area	5	485	97.0
Lynnwood	5	129	25.8
Tacoma	3	173	57.7
Bellingham	3	89	29.7
Colville	3	41	13.7
Yakima	2	68	34.0
Vancouver	2	66	33.0
Kelso	2	43	21.5
Olympia	2	55	27.5
Woodinville	2	12	6.0
Grand Coulee	1	15	15.0
Vashon	1	16	16.0
Palouse	1	9	9.0
Leavenworth	1	57	57.0
Aberdeen	1	20	20.0
Kellogg (Idaho)	1	14	14.0
Kirkland	1	97	97.0
Centralia	1	83	83.0

LOCATION AND ATTENDANCE PATTERNS, 1982—SBDC SEMINARS AND TRAINING PROGRAMS—
Continued

Location	Number of seminars	Number of attendees	Average number of attendees per sessions
Mount Vernon	1	154	154.0
Everett	1	21	21.0

1982 SEMINAR AND TRAINING PROGRAM ATTENDEES—CONTACT HOURS BY TOPIC

Subject	Number of attendees	Program length (hours)	Total contact hours ¹
1. So You Want To Be an Entrepreneur	522	7.5	3,915.0
2. Economic Development Through Small Business.....	374	2.0	748.0
3. Retail Inventory Control	154	4.0	616.0
4. Cash Management	175	2.0	350.0
5. Resources for Small Business.....	132	2.0	264.0
6. Retail Selling	777	4.0	3,108.0
7. Financial Management	106	2.0	212.0
8. Computers	120	8.0	960.0
9. Advertising	119	2.0	238.0
10. Tax Considerations	172	3.0	516.0
11. General Management	216	2.0	432.0
12. Investment Alternatives.....	83	2.0	166.0
13. International Trade	327	8.0	2,616.0
14. Sales and Customer Relations.....	43	3.0	129.0
15. Banking Relations	27	2.0	54.0
16. Insurance Risk Management	27	2.0	54.0
17. Human Resource Management	55	2.5	137.5
18. Recordkeeping	43	2.0	86.0
19. Profit and Pension Planning.....	17	2.0	34.0
20. Credit and Collections	36	2.0	72.0
21. Women in Business Management	97	8.0	776.0
22. Business Structures	7	2.0	14.0
23. Negotiation Skills	5	2.0	10.0
24. Innovation Assessment.....	11	2.0	22.0
25. How To Buy/Sell a Business	29	2.5	72.5
Total contact hours.....			15,602.0

¹ Col. 1 times col. 2.

SMALL BUSINESS DEVELOPMENT CENTER,
Pullman, Wash., August 22, 1983.

HON. RON WYDEN,
Washington, D.C.

DEAR REPRESENTATIVE WYDEN: As requested during the July 6th joint hearing on the SBDC, conducted in Seattle, Washington, below follows a description of the criteria we utilize when claiming credit for jobs saved and/or created.

For jobs saved we claimed only those positions where by direct involvement by the SBDC prevents the loss of employment.

As an example, if a firm is in a distressed condition, requests assistance from the Center, and implements our recommendations, thereby avoiding lay off procedures, we claim such positions as jobs saved. We tend to be somewhat conservative in such estimates. We often will seek confirmation, such as with the charter boat industry in 1980 where we claimed jobs saved as a by-product of our activity.

For jobs created, our criteria follows:

1. If an individual seeking to enter business seeks our assistance and ultimately succeeds, all jobs associated with such activity are considered as new jobs created.

2. If a firm approaches the SBDC for assistance in expanding his/her business and ultimately does so, we take credit for all jobs associated with such expansion.

3. If through our research and other support services provided, a client reorganizes his/her firm and/or undertakes new marketing efforts which results in additional staffing, we claim these positions as jobs created.

We make no attempt to follow up on each and every SBDC client to measure this particular achievement, however we often find out this information by dealing again with a client, or they volunteer this information to us.

Our capital investment totals are based on monies invested in any real property such as land, buildings, equipment, trucks, etc. but not loans received for working capital.

I trust these comments adequately address your question. Should you require any additional information, please contact me.

Sincerely,

ED OWENS, *State Director.*

SMALL BUSINESS DEVELOPMENT CENTER,
Pullman, Wash., August 22, 1983.

Hon. PARREN J. MITCHELL,
Washington, D.C.

DEAR REPRESENTATIVE MITCHELL: As requested in your August 5, 1983 letter attached, please find my comments with revisions as requested. I have forwarded a copy of correspondence to Representative Wyden addressing his particular question on our criteria for measuring job impact. In a broad sense, my individual recommendations for program modifications the Committee may wish to consider are:

On numerous occasions, the Center has been requested to clarify and justify why the SBDC program is housed in various institutions of higher education vs. state agencies. Should it be the intent of Congress to continue the established pattern for SBDC's, statutory language should clearly state this preference. To do so would eliminate confusion when SBDC matching funds are requested, when state planners allocate resources to launch new programs for small business, and when new states are brought into the SBDC network.

The ongoing emphasis within the SBA-funded SBDC program for performance measured in terms of numbers of clients served, number of training sessions held and attendees at same, and similar measures does not, in the opinion of the Washington State SBDC, address program impact. Often, in order to produce "numbers", quality must suffer. This is particularly true for the ongoing emphasis in "number of counseling actions" and "number of training programs conducted." Language directing SBA to heed local conditions and needs might very well be an appropriate course of action.

Feedback from various SBDC program reviewers indicate a national need for increased emphasis on the use of full-time professionals for the delivery of services through the SBDC resource. It has been the experience of the Washington State SBDC that such an approach increases quality and reduces problems with quality control and client follow-up.

At the request of a key state legislator within Washington State, the committee is requested to review the SBDC program match requirements. Legislative representatives within our state have expressed concern with the requirement that each federal dollar received be matched 100 percent with at least 50 percent cash and up to 50 percent in-kind match. The primary concern most expressed addresses future growth that may occur within the program once removed from pilot program status by Congress. Should such future growth occur, the ability of Washington State to match federal resources that may be available may not exist. The one option most often mentioned has been a 50 percent match requirement with at least half being cash and up to half in non-cash (in-kind) match.

The final statutory consideration that may justify examination would be language that recognizes state goals and objectives for SBDC services are as important as SBA objectives, particularly in light of the significant investment in cash and other resources provided the program at the state level. All too often state objectives for job creation, improved efficiencies within the small business sector, general economic development, new capital investment, and expansion of the tax base are at odds with realizing SBA "numbers" objectives. The statement most often made by business, government, and legislative leaders relative to the SBDC is that they would rather see 100 firms with success potential provided meaningful assistance than 2,000 firms or individuals with marginal potential be provided partial assistance due to limited resources.

If I can be of any further assistance, please do not hesitate to call on me.
Sincerely,

ED OWENS, *State Director.*

Mr. MITCHELL. Thank you very much, Mr. Owens.

What I would like to do is hear from all of the witnesses at the table first and then we will come back for questions.

Is that satisfactory?

While we have a break, I want to welcome Congressman Chandler who has now joined us here this morning.

I hope this dispels the notion that Members of Congress, during a district work period, are not working. You see, we really work.

Do you want to make a statement at this time?

Mr. CHANDLER. No, just to say thank you for coming here. This is a long trip across the country. You are away from your family, as I am. It is very nice to have you here. I hope you are enjoying this cool respite from your hot summer in Washington.

Mr. MITCHELL. Thank you very much.

Dean Markin, may we hear from you next?

TESTIMONY OF ROM J. MARKIN, DEAN, SCHOOL OF BUSINESS AND ECONOMICS, WASHINGTON STATE UNIVERSITY

Mr. MARKIN. Thank you, Chairman Mitchell, Senator Gorton, Congressman Wyden, and Mr. Chandler. I would like to thank you on two counts.

First of all, I would like to thank you for the opportunity of being here today to make these comments on behalf of the small business development centers, and I would like to thank you and commend you for your presence, for holding these hearings in our State, and the city of Seattle.

I do want to digress just a moment, Chairman Mitchell, and tell you that Maryland ought to be somewhat indebted to Washington State. You recently acquired a very distinguished educator who became the chancellor of the University of Maryland, an outstanding individual, a former vice president and provost at Washington State University. He was my mentor, we miss him very much. We had designs on bringing him back to Washington State University, but you people scooped us, so our loss is obviously your gain.

I was very alert to Senator Gorton's comments about small business in general, and about the operation of small business development centers in particular. He asked a number of very perceptive questions. I hope that we will be able to provide with our testimony or during the question and answer session any responses that Senator Gorton would like to have from us.

Washington State University is located in Pullman, Wash. It is the State's land grant university. Land grant status places a special obligation and responsibility on our institution. The language of the 1890 Morrill Act states specifically that funds are " * * * to be applied only to institutions in agriculture, the mechanic arts, the English language and the various branches of mathematical, physical, natural and economic sciences, with special reference to their applications in the industries."

This last phrase has been the one that has directed us to extend our educational services beyond the four walls of the institution and carry the skills, expertise, research results, technological inno-

vation, and other findings to those needful users in the business, economic, agriculture and social communities of our country. The land grant concept underscores that the benefits of higher education must be transferred to these other than just the 18- to 23-year-old resident students of our institutions and that we must serve practical, useful, utilitarian ends that benefit identifiable constituencies and result in the improvement of the general welfare.

My institution is committed to such a philosophy and mission and it fits squarely with my own value orientations.

Before I was dean of the college, during the year 1976 when I was the director of our Bureau of Research, I wrote the first proposal seeking funding for the University Center which was the forerunner of the SBDC. We received funding from the Economic Development Administration and hired our first employee in July 1977. The need for such an effort was manifest from the outset. We now have 15 full-time persons directly affiliated with WSU serving the demand for assistance programs and efforts throughout the State. In addition, we have 13 consortium members affiliated with the Office of Small Business and Eastern Washington and Western Washington Universities.

During calendar year 1982, our SBDC conducted or cosponsored 136 seminars and training programs with 3,674 attendees. Since the beginning of the SBDC program at WSU we have conducted or cosponsored 213 programs with a total of 5,792 attendees.

Counseling support during 1982 was provided to a total of 1,963 firms throughout Washington State. Our targeted figures for 1983 are to provide counseling assistance to about 2,300 firms and conduct 150 seminars and training programs with 3,000 trainees.

I am finally convinced that small business needs assistance.

There are about 11 million companies in the United States classified as small. Of these, 3.4 million do \$5 million or less in business each year and employ fewer than 100 workers. Nonetheless, bantam business contributes a surprising 43 percent to the gross national product.

Small business firms provide more employment than all the Fortune 500 companies combined. Small business, directly or indirectly, provide a reasonably good livelihood for more than 100 million Americans.

Behind these statistics lies a mosaic of creative people whose energetic commitment makes this sector of the economy pulsate with life and energy. Normal working hours don't exist for those running their own business. To most small business people their work is their hobby, their enjoyment, as well as their livelihood. They almost all feel like they have a valuable product of service to offer a waiting public. They are committed to serve and they are committed to the American dream of success and profit. They practice the market dictum: Find a need and then fill it.

Small business people are pioneers of the spirit. They are risk-takers and decisionmakers in an uncertain and chaotic environment. They are dedicated to the market system and fervently committed to the capitalist model of free enterprise. If America's plan for self-renewal and revitalization is to succeed, it must be spearheaded by the intrepid and indomitable small businessman.

Unfortunately a compelling idea, a valorous commitment to a way of life, a business and economic philosophy of market enterprise, risk, and capitalism, and even worthwhile products and services alone won't carry or guarantee the success of a business. The small business entrepreneur must also know how to market, package, manage and finance that idea or product.

The SBDC's are a near perfect vehicle for technology transfer to small business. Small business needs information about market opportunities, about how to reduce costs, about how to reach customers, price merchandise, develop and assess new products. They need help and assistance with financing, with legal problems, with managing wage and energy costs. They need assistance with regulatory problems, State, Federal, and local taxes, and they need counseling and training in methods of managing for greater effectiveness and efficiency. SBDC's are providing this assistance and it's making small business in Washington State more viable and more productive. SBDC's are a valuable partner to small business.

WSU and the college of business and economics will continue to consider the SBDC an integral part of our educational programming mission to the citizens of Washington State. My personal commitment to the SBDC concept is unswerving. The administration of our university is committed to the concept and has demonstrated this commitment both in terms of educational policy and by hard dollar support.

For 1983-84, my institution has committed in both cash and near cash resources the sum of nearly a quarter of a million dollars to advance the efforts of the small business development center in support of small businesses in Washington State.

I remind you that we do this at a time of unusual fiscal austerity in Washington State and reduced budget cuts for most elements of the institution.

The small business development center is a vital link in a symbiotic network consisting of a Federal Government program, State universities, and private sector businesses, all of whose efforts redound to the benefit of our overall economic and social well-being.

Thank you.

Mr. MITCHELL. Thank you very much, Dean.

Now Mr. Hall.

TESTIMONY OF STEVE HALL, REGIONAL ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION, SEATTLE, WASH.

Mr. HALL. First I should like to applaud Dr. Markin for his early dedication and commitment to small business education. Unlike many of his professional peers, he has been a pioneer in recognizing the importance of small business education in the university curriculum. We therefore embrace with enthusiasm the opportunity to involve Washington State University in the SBDC at a very early stage.

This strong spirit of advocacy is also quite evident at Eastern Washington University, where the dean has recognized the vitally significant role of entrepreneurs in our economy, too. We believe his attitude promoted a recent entry of Western Washington University into the SBDC program as a consortium member.

Thanks to the advocacy of these men and the leadership of Ed Owens, the SBDC director at WSU, I can happily report that SBA in region X is simply delighted with the emerging quality and productivity of a partnership we are engaged in with the SBDC.

We welcome the small business development center program as an important extension of the management assistance efforts SBA is earnestly pursuing in Washington State. Since our commitment in September 1979 to support the Washington small business development center, we have authorized \$1,751,816 as our funding contribution and have helped link the center with our ongoing programs such as the Small Business Institute and Service Corps of Retired Executives, which also provide counseling to the small business community.

Advanced business management skills are the underpinnings of our free enterprise system and determine the degree of its profitability. With our own management assistance personnel working in concert with the Small Business Development Center, the Small Business Institute, and Service Corps of Retired Executives, we constitute a partnership dedicated to fostering the management practices essential to business success. However, relative to the need for management development among our State's 126,000 small business firms, our combined efforts still leave a vast potential for others to join us in providing assistance. This calls for us to work for an even broader partnership involving the private sector to help us develop the key ingredient in economic progress, which is good management.

Creation of the Washington State SBDC formally brought the resources of its college of business and economics to bear in directly assisting small business. Thus, the SBDC program has become a valuable vehicle for the transfer of the corpus of management skills residing within our universities to practical application throughout the free enterprise system which has a critical need for these skills since 95 percent of business failures are attributed to poor management practices. Consequently, we view the active involvement of Washington State University in cooperation with Eastern and Western Washington Universities and the State Department of Commerce as essential allies in our mutual mission to assist small business.

At the inception of the partnership between SBA and SBDC, there were concerns within both organizations that competition for funding would result in a decision by Congress to channel funds into one of these organizations and not the other. Fortunately, these concerns have been allayed because we all recognize that the task ahead is far greater than both of us can hope to fulfill alone. Both the SBA and SBDC are critical components in the blend of resources our country must marshal to assist small business with management and technical development. Realizing this, we continue to improve our working relationship and mutual respect.

As we grow together in this partnership to help small business, the roles of SBDC, SBA, SCORE, SBI, and the private sector participants are becoming much clearer and old animosities are giving way to teamwork that meshes the unique capabilities of these organizations. To nurture this relationship, we feel it is important to maintain a balance in the allocation of funding to SBDC, SCORE,

and SBI so one program does not expand unduly at the expense of others.

Just as SBDC is essential to promoting the flow of knowledge from our universities, so SCORE is necessary to pass along the accumulated business expertise of retired executives to a new generation of entrepreneurs. Since successful small business management is as much of an art as a science, there is a continuing need for the advice of the retired businessperson who can readily apply years of experience to solving management problems.

Our Seattle district office has just received SBA approval to proceed with an innovative pilot program that will necessitate even closer cooperation between SBA and SBDC. The central objective of this pilot program is to position SBA in partnership with the private sector to reach out for opportunities that facilitate job creation in Washington State. By capitalizing on the considerable outreach and leveraging skills that reside within our management assistance division, we will establish linkages with the private sector that assure SBA of greater participation in economic development.

This program thrust will substantially increase our ability to match up SBDC's in-depth counseling and research skills with opportunities for local business development and job creation which we are now actively seeking. Historically we have not sufficiently supported SBDC with our share of in-depth counseling case referrals, but this responsibility will be fully met as we proceed with our new business development and assistance program. Consequently, we believe teamwork and cooperation between SBDC and SBA will be noticeably strengthened under this approach.

Furthermore, our business development and assistance program calls for SBA's active contribution to the process of planning and shaping Washington State business development. We feel this broader perspective of impacting small business will enable us to more tightly unite SBA's national priorities with the State's needs. For this reason we foresee an even closer agreement among our SBDC funding partners as to the measurable objectives which are established annually for the center.

During the past year we have effected much better coordination with the SBDC as a result of the decision to decentralize SBA's management of this program area to our region. Appropriately, the control over SBA's involvement with the State SBDC is now a local matter and is not directed from Washington, D.C. We applaud this organizational move since it has facilitated communications at the State SBDC and district SBA levels and thereby engendered a spirit of cooperation that could not blossom previously. As the communication channels are widened between SBDC and local SBA personnel, this decentralized working relationship is reducing any overlap or duplication in our joint efforts to serve small business.

Also, this year we have taken initiatives to communicate more closely with the SBDC regarding their response to the 1984 program announcement to operate a small business development center in Washington State. Since we have already provided them with the input of our management assistance personnel, the SBDC has been able to consider this guidance prior to beginning planning and preparation of their proposal for next year. Consequently, we

can both take ample time this summer to carefully plan the integration of our efforts to assure a coherent direction.

In addition, each of our districts is now preparing specific business education plans for next year which we will coordinate with the plan being developed by the SBDC education coordinator so there will be no overlap or duplication of training programs.

Finally, to assure SBA and SBDC coordination is a continuing high priority, we propose starting quarterly joint planning meetings with our SBDC.

This year we will be encouraging the SBDC to leverage its counseling and training capabilities by fostering the development of management consulting courses in our schools of higher education that will extend the concept of the Small Business Institute program. We believe trade associations, chambers of commerce, and other private sector organizations also offer opportunities to expand volunteer support of SBDC.

We feel an obligation to share our successful experiences in leveraging private sector participation with our counterparts at SBDC to help broaden their network of supporters. This additional leveraging will be complementary and not competitive and will be with new and heretofore untapped sources of management and technical assistance.

To promote closer coordination, we would like to be included as a member of the Washington State SBDC advisory board this year. This participation will not only recognize our full support of SBDC but will also help us to appreciate divergent views on policy direction that must be reconciled by SBDC.

We also believe that public awareness of our cooperative efforts will be enhanced by listing SBA as a supporter on the SBDC letterhead and on brochures or flyers. In coming months we will be more active in suggesting ways we can work together to serve small business.

For instance, we will pursue the possibility of jointly producing brochures aimed at meeting the pragmatic management and information needs of local business. Also, we think there is merit to expanding the current relationships under which management counselors from SBA, SBDC, SCORE, and SBI will discuss and exchange what they have found to be the most efficient and effective approaches to resolving small business management problems.

In conclusion, we look forward to a promising future of working in partnership with the Washington State SBDC. Washington State offers entrepreneurs manifold opportunities, but technical skills must be matched with management ability for small businesses to grow and prosper in today's highly competitive environment. We are proud of our role in working with the SBDC to help Washington small business people hone their management edge.

Thank you.

Mr. MITCHELL. Thank you very much.

We thank all three of you gentlemen for some very interesting testimony.

I would like to raise two questions now. The first is to Mr. Owens.

With reference to the criteria you use for your professional assistants. Five years of experience in engineering just seems kind of steep to me.

Mr. OWENS. That is in my written testimony, Mr. Chairman.

Mr. MITCHELL. I find your minimum requirements very interesting—staff applicants must have owned or operated a business, master's degree desired, 5 years of experience in manufacturing or engineering. Each person has to have all of this?

Mr. OWENS. Yes, sir. We had an opening not too long ago, Mr. Chairman, and had 87 people who met the minimum criteria, who applied for that position.

Mr. MITCHELL. That is excellent.

My first impression was you are really seeking overqualification. I guess you are saying I am incorrect in that.

Mr. OWENS. I would have to say, Mr. Chairman, on the surface it does appear we are seeking overqualification. But there are a number of very highly qualified people out there, many of whom are in the private sector now as consultants, who like the SBDC concept. When we do have a staff position for counseling purposes that does come open, we attract a lot of those people. We have had no difficulty at all in meeting our minimum requirements.

Mr. MITCHELL. OK.

I won't quarrel with you on that. I am just thinking about a man that runs a rib shop in Annapolis, which is in southern Maryland. His family has been in that business for 5 years, a phenomenally successful business, but still small. I am sure he could teach me some things about running a business. If he came to you and said I want to help out in this program in some way, use me for a year, you would say you don't meet the criteria.

Mr. OWENS. No, we would not say that. My comments about academic credentials being important during my testimony still applies, but we do give greater weight in all cases to practical experience.

If the background of an individual would service our need more so than the criteria, we will go to the institution and say we are going to waive this particular requirement. Minimum requirements are a guideline more than anything else, a target, a goal.

Mr. MITCHELL. My second question is addressed to all three of you gentlemen. It addresses an area that I have a particular concern with.

Let me go back. I have been in public service for most of my adult life. As part of being a public servant with the State, city of Baltimore, I constantly put on seminars; honestly, in my own heart of hearts, I have questioned the efficacy of seminars.

I used to teach. In fact, teaching in a classroom is kind of a seminar. But I had a way of testing what came out of my seminar by giving an exam every once in a while. You put on a number of seminars. How do you really measure whether they are effective, whether you are putting on too many or not enough, who really benefits from them? Is there any way of measuring this?

Mr. OWENS. There are a variety of ways.

In the attachments to my testimony Mr. Chairman, there are some summary data that we have compiled on an ongoing basis.

As an example, if you attend one of our training programs, at the end of that program we are going to hand you a questionnaire that asks what do you think of this, was it effective, does it meet your needs, have you been serviced by this?

Let me see if I can find the one I am looking for particularly.

In the attachments there is a summary of participant evaluations. This is one of the data collection instruments we use, where people are asked to describe their perception on program content, format, the presenters themselves, and whether or not they thought that program was of any value to them, whether it was of considerable value, or no value.

We use that as one of the inputs. We collect data from port districts, chambers of commerce, economic councils as well.

We also communicate the small businessmen directly, when we say what do you want us to deliver to you, what do you think you need?

A program we have coming up for restaurateurs in the State of Washington is an example of the end product of that data collection system. We approached the restaurant market with the idea these people would need management skills. We are now going to be delivering a seminar on how you cost out a menu, menu costing techniques.

What we thought the need was, when we got through with our needs assessment, was not the need. So we are now packaging to meet what the people out there say they feel they need. It is an ongoing cycle. We have a man whose full-time job is to coordinate that and develop that kind of information.

Mr. MITCHELL. Please understand that this is a jaded, cynical Congressman who perhaps has seen too many seminars in Washington, where the folks come in to get their doughnuts and coffee early in the morning, then take a brief nap during the first seminar, digesting the doughnuts and coffee.

I am not really fighting you on this, but it just seems to me in my opinion that one-on-one techniques that you use are just so much more effective than seminars. I cannot nail it down, but that is just a quirk in my personality, the antiseminar syndrome that exists in Parren Mitchell. I don't question what you are doing. I question really the whole seminar concept as opposed to the efficacy of one-on-one counseling or in-depth counseling or group counseling that you might do.

Mr. OWENS. Our SBDC has proposed to the agency there be a reduction in the State of Washington in 1984 of a number of programs we do and we will strive to do other things in terms of quality and content based on feedback similar to the kinds of things you have been talking about. So far the administration has been very receptive to that. We do have very open communications now.

A second and a side benefit of the training area that is important, is that we derive many of the counseling cases from people who go through training programs. They will come in, sit down, and find out they do not possess the skills they need or have the resources, and we wind up working with these people on an ongoing basis. So there are cost benefits attached to both sides, Mr. Chairman.

Mr. MARKIN. I would like, Mr. Chairman, to elaborate just a little bit by way of response to your question about seminars. I think anyone who has met a classroom or has stood for an election realizes that in the process of disseminating information there is a great deal of redundancy. I think that is what your question gets at.

In many instances, however, as a communicator we have to come to understand that a lot of redundancy is effective redundancy. People are told something, they don't listen too well the first time, and he tells them the second time, they listen a little better, and the third time finally it makes some sense. I agree with your notion that one-on-one counseling is very effective if it is situation-specific. If someone comes to you with a very specific kind of problem, you can offer them much more astute advice about that in a one-on-one situation.

But there is a great deal of general information that can be disseminated that is not necessarily situation-specific, it is more general, and it is much more effective and efficient if you can do that to relatively large numbers of people.

Finally, I would add that all of us who are in the business of disseminating information for the purpose of raising people's awareness, and to a great extent that is what this is all about, we raise people's awareness, sometimes we change their attitudes or improve their motivation about something.

I am reminded of a comment that was once made by John Wanamaker, a great proponent of spending a great deal of money for advertising. Somebody asked him about the efficacy of this particular practice, and he said, "Well, 50 percent of every dollar I spend for advertising is wasted, but I don't know which 50 percent." I think one has to keep that in mind sometimes in drawing conclusions about seminars.

I would agree with you, sir, there is probably a great deal of inefficiency in that. But looked at broadly, it is probably about as efficient as it can possibly be made.

Mr. MITCHELL. Thank you.

Senator.

Senator GORTON. Mr. Owens, a question for you.

What kind of acceptance do you have from this program with the State? Is the legislature supportive? Has it been specifically supportive with matching funds?

Mr. OWENS. There are several questions in that. I will address one of them first.

The State Department of Commerce and Economic Development and I are partners, if you will, in the delivery of services for small businesses. We have a memorandum of agreement between ourselves and commerce that allocate the resource base of the Office of Small Business as one of the consortium members to the service mix in the State—activities undertaken through this office are a part of our service system. My two Olympia staff people are housed right in the Office of Small Business and communicate directly.

The matched budgets for the small business development center program in the State come through the university. The university represents our matched needs to the State and the institution allocates our funds back to us. As Dean Markin noted, their contribu-

tion is significant. We as individuals, however, also work with the State legislature directly.

I have had involvement with Senator Fleming, as an example, who is probably one of the individuals you would know, who in an ongoing need has me give specific information to individuals in the legislature, to disseminate information.

Representative Prince from our own area is a very strong supporter of the center. I work very closely with him.

Senator GORTON. Thank you.

My second question can be for all three of you. It is one to which I did not hear specific references in any of your opening statements.

What percentage of your clientele are in agriculture, either directly as farmers or in highly agriculturally oriented businesses? Do they represent a significant portion of the work that you do?

Mr. OWENS. In the attachments to my written testimony you will find a distribution by SIC Code. This includes all agricultural individuals, whether they be farmers or retailers or whatever. In 1982, it was 3.4 percent.

Senator GORTON. That is people directly in agriculture.

Would this include agricultural implement sales?

Mr. OWENS. No; if you were the manufacturer of an agricultural implement, your SIC designator would be in the manufacturing sector and you would be allocated to that distribution with our data base; 26 percent of our total service base are manufacturers.

Senator GORTON. That representation of people in agriculture, is that something which you would consider proportionate to their share of business in the State as a whole, or do you still have a communications problem getting through to people in agriculture the fact that you exist and assistance is available?

Mr. OWENS. That raises a question, Senator, that needs to be answered a little differently.

Most of the agricultural-based types of activities that we work with are handled through a working agreement I have with the Agricultural Extension Agency.

If we have a farmer that comes in looking for computerization assistance, the Extension Service has a program for that. We say OK, fine; we are not going to duplicate that. When they are done with that, they will send him back to us perhaps for a business plan. That networking I think is important.

Senator GORTON. Either of the other witnesses?

Mr. HALL. On your first question, Senator, another view—there are many who share this view—we would very much like to see the Department of Commerce and Economic Development play a far greater part, make a far greater contribution than they do today. The facts are, they make very little contribution, sir. We would like to see it otherwise.

As you know, there is a concept that the Department of Commerce and Economic Development is exclusively concerned with the attraction of tourists. They do very little in business development. They don't have a budget for it. Their budget has been cut consistently, year after year. They are talking about taking one of the agencies for community development out of the Department of Commerce and Economic Development.

In regard to economic development, the Department of Commerce and Economic Development is becoming an increasingly weakened arm. I would like to see that trend reversed and have it strengthened, because they could make a very significant contribution and I know the Governor is very much interested, and very much concerned about economic development in the State. I am sure he must feel the same way. As a matter of fact, in an address I made to a joint session of the legislature on economic development some time ago, I urged them to increase the contributions to that very important and significant arm of government, with no results so far. We solicit assistance.

Senator GORTON. Thank you, Mr. Chairman.

Mr. MITCHELL. Yes, sir.

Congressman Wyden.

Mr. WYDEN. Thank you, Mr. Chairman.

Gentlemen, I think all your presentations were excellent. I have just two questions.

Mr. Owens, in your testimony you talk about jobs created and jobs saved under your center.

I would like to look at one issue in particular, and that is cost per job created. I just did a little bit of quick math. In the last 6½ years, you created 1,654 jobs. What was the total number of funds that you received during those 6½ years, public funds?

Mr. OWENS. OK. Would you repeat the number you had?

Mr. WYDEN. You had 577 new jobs due to expansion, and 1,087 new jobs due to startup firms, for a total of 1,664.

Mr. OWENS. \$1.9 million.

Mr. WYDEN. My math is not good enough to rip off that figure.

Mr. OWENS. Mine isn't either.

Mr. WYDEN. That is an important barometer. I gather for the jobs-saved criteria, you used the SBA process of calculating jobs saved. I never was really sure how that worked, whether somebody just came in and collapsed at your feet and said "Thank goodness, you have saved me."

Mr. OWENS. Well, that is one way. We use SBA's criteria to an extent. We also utilize EDA's criteria. If you as a small business person come in and say "I have to shut my door in 6 weeks," and we put you back on your feet, and a year later you are still in business, I count that as a stabilized job. We tend to be very conservative in that area.

Mr. WYDEN. If you can furnish the committee those criteria, specifically the criteria you use, that would be very helpful.

Mr. OWENS. I would be glad to do that. I will mail it to you.

Mr. WYDEN. Counsel informs me it is about \$1,140 per job created.

Senator GORTON. That is a pretty good figure.

Mr. WYDEN. Yes; we will compare that with other investments the Government can make.

Mr. OWENS. Just for my own information, Congressman, how does that compare with some of the other activities?

Mr. WYDEN. I think it is very good.

The other question I had I may preface with a statement for you, Mr. Hall.

You state:

The roles of SBDC, SBA, SBI and private sector participants are becoming much clearer and old animosities are giving way to teamwork that meshes the unique capabilities of these organizations. To nurture this relationship, we feel it is important to maintain a balance in the allocation of funding to SBDC, SCORE and SBI so one program does not expand unduly at the expense of others.

One concern and then a question.

One of the things that our constituents always tell us is that programs seem to take on a constituency of their own, and instead of really looking whether they are working, whether they are really cost effective, what we say is we don't want to have a bunch of turf battles, we don't want to have the people all fighting among each other, we will fund them all, and have one happy family.

I would just like to take a mild exception to that statement. I think we have to look at what works and we have to look at what is cost effective, the rate of return to the public, whether it will really give us a payoff, and not quite as much as protecting everybody's turf.

Mr. HALL. I quite agree. If you read the literature available on the subject, including some recent Federal reports, you will find my statement is substantiated by those reports.

Mr. WYDEN. My question—

Mr. HALL. One of the reports is the cost-effective report. That would be a good one to read.

Mr. WYDEN. Tell us a little bit about these old animosities that have given way to the new teamwork, because I find that is something I hear a great deal about. Maybe you could tell us what the problem has been and a little bit more about the solution.

Mr. HALL. Well, to capsulate, I think that some time ago when this program was first instituted, there was interest on the part of both the SBA and SBDC people to implement it fully and in consequence one of the groups made the suggestion to a national association meeting that that group should take over the entire program and that the other agency involved should be eliminated, claiming they could do it more efficiently and so forth.

Now, there is a partnership now. That has been overcome. And also, there was the feeling, following on that, a concern about who was to get the lion's share or all of the funding at the so-called expense of the others. I don't think we have that problem today.

I think the problem was centered perhaps as much as anything else in the individuals that were involved at the time. Thankfully, they have departed the scene.

Mr. WYDEN. I only bring it up because we have a chairman who is a particularly skilled mediator. If you are finding there are animosities or rivalries between the various groups—we are all in this for the same goal, to serve small business—if you can tell the committee when these kinds of things come up, I think with the chairman's skills we can be of some help.

Mr. HALL. I can straightforwardly say there are no animosities, no problems in region X in terms of partnership.

Mr. MARKIN. I would confirm that.

Mr. WYDEN. Thank you, Mr. Chairman.
Congressman Chandler.

Mr. CHANDLER. Thank you very much, Mr. Chairman.

Senator Gorton, in partial response to your question about support from the legislature, having just come from there 6 months ago, I would say that it is particularly strong, that the people from Washington State University have done a good job of communicating with the legislators.

I remember when the program was begun we were briefed about it. At that time, even though I wasn't in a particularly key position to be supportive of the program, the briefings were frequent, and we were kept current on the progress of the program.

I would say it would be a rare legislator who would not be familiar with it and would not be supportive of the program.

The thing that I noticed in your testimony, Mr. Owens, was the size of the firms that you are serving. I am encouraged by that. I thought the questions that the chairman was asking were particularly incisive, given the kind of people that you are dealing with. I am not familiar with the person who sells ribs in Baltimore, but I think that is a good example of the kind of person that you are dealing with.

One of my great feelings of pride comes from the fact that I personally started a small business. There was one employee, me. The office was in the bedroom just down the hall, a nice, short commute.

At that time I didn't even know the questions to ask, much less who to go to. I had to have some experience, make some mistakes, have a couple of months when there wasn't any paycheck for me until I was able to access some assistance.

The most help that I got was from another person who had also started a small business, albeit in a different kind of business—his was manufacturing and mine service—and counseled with him on a very informal basis.

But I see that you are serving over 50 percent of zero to \$200,000 in sales, which is very small business, as you know; over 50 percent, 1 to 5 employees. For me, my feeling is that that is exactly where the need is the greatest.

What I would like to ask is how many opportunities are there out there like the course that I took from Seattle First National Bank, small business management course, that met in the evenings over I think about 6 or 7 weeks, something like that. We may have met twice a week. That was an exceptionally good course, to learn cash flow, the kind of things that a business manager had better know if he is going to grow beyond one employee and an office down the hall in his bedroom.

What private sector programs like that are available?

How do you interface with them?

How do you work to try to avoid conflict with them and duplication?

How good are the private consultants or people out there?

Could you address that?

Mr. OWENS. OK.

The opening comment I would like to make is that most of our staff people, their real satisfaction comes from working with somebody who is making less than \$200,000 and working with that firm until they are successful. That is where our personal satisfaction, our reward, comes from.

Second, I would like to talk about a program, as an example of some of the kinds of things we do, that might be of interest to you. We have just launched this summer a program targeted to the minority business sector in the State of Washington, where Boeing is a partner.

The first series was this month. We had 161 minority firms that wanted to get in. We have rescheduled a whole series of this for the fall.

This program is tying into the considerable training resources of Boeing Corp. in the area of personnel and financial management and contracting, so that minority firms can improve their contracting skills in dealing with companies like Boeing, who have a pass-through requirement from the Government.

Another example of that type of thing would be our entrepreneurial series where we bring in bankers and accountants who already have successful series, and they make a summary presentation of their activities, one element of which is if you want more, come on over to the Seattle First National Bank series.

We feel that is an important function for us. We need to be in the marketplace in that manner.

Availability in terms of conflict, yes, there are conflicts. We must constantly monitor not only what the agency is doing, but what is going on in the private sector. In some cases we use ongoing programming and contribute resources to that so we can deliver what we see a need and still not be in competition. A good example of that would be our retail series, "The Art of Retail Selling." We work with a gentleman, Bob Casey, a very effective private sector consultant.

These people have already existing programs. We could go into the marketplace and compete against them, but we would rather go in and work with them, and leverage the resource base of the firms we are working with and link them up with that consultant.

Mr. CHANDLER. Do you do anything to screen the people that you assist?

I have a feeling that as small business owners start out, they probably bring more enthusiasm than anything else to the task. They probably bring a skill in whatever it is they want to do, whether it is procuring ribs or, as I did, working in the public relations area, or manufacturing, or something like that. They have probably been in some other pursuit where they were a hired employee.

If you had interviewed me, you would probably have thrown up your hands in despair. Yes, you are good at what you do, but you are a terrible businessman. Do you try to prejudge the success of these business people?

Mr. OWENS. Our management philosophy is not to prejudge anybody. If you walk into our door, we will try to help you. We have had people walk through the door for years with new ideas. We will do a first analysis, help them work with a business plan and it is a flop. They keep coming back. Ultimately they are going to hit.

There is not a small businessman who is successful 100 percent of the time. We have developed screening tools to help the small businessman assess the feasibility of an idea, to do a business plan, a marketing plan, a financing proposal. We won't do that work for

them, but guide them through the process. It is a learning tool for them.

Maybe the first time through your enthusiasm is dampened, but the next time you are going to have a new skill to use. We think that is an important, nonquantifiable contribution we make.

Mr. CHANDLER. Thank you.

One last point. To support Mr. Wyden's comment on the tougher battle, I think that is something that grates on the ears of public officials.

Mr. MITCHELL. Thank you very much, gentlemen.

I am not going to put another question to you now, but I would appreciate it if each of you would write to me, both the Senate and House committee members, your recommendations for changes in the existing legislation. We are dealing with Public Law 96-302. You are out there implementing it. If you feel there are some changes needed in the legislation that will make it a more effective program, will you send it to us as quickly as possible?

Mr. OWENS. Certainly.

Mr. MITCHELL. Thank you both very much.

Mr. Hall, we have heard a lot of talk about the relationship between SBDC, and SCORE, and SBA. I think we would like to hear the testimony from two SCORE persons right now.

Since it is a part of your operation, if you would stay while they give their testimony, it would be helpful.

Thank you gentleman for being here.

Mr. OWENS. I will be here the rest of the day, Mr. Chairman.

Mr. MITCHELL. Our next two witnesses would be Don Davis, with SCORE in Spokane, Wash., and C. R. McCabe, a member of the Service Corps of Retired Executives, serving out of Seattle, Wash.

Gentlemen, thank you for being here.

As I indicated to the other witnesses, we do have copies of your testimony. Your entire testimony will be submitted for the record. If you possibly can, it would be most helpful to give us just the highlights from your testimony.

TESTIMONY OF C. R. McCABE, VICE CHAIRMAN, SEATTLE DISTRICT EXECUTIVE COUNCIL, SERVICE CORPS OF RETIRED EXECUTIVES

Mr. McCABE. My name is Mac McCabe, and I am vice chairman of Seattle District Executive Council of the Service Corps of Retired Executives, or more frequently referred to as the acronym SCORE.

SCORE was organized in 1964 by the SBA as a means of tapping the vast expertise of retired business executives. Each year it provides management counseling to thousands of existing small businesses and thousands of people who want to start small businesses. Today, with 405 SCORE chapters across the Nation, some 8,956 retired executives, offering a wide range of expertise, diligently volunteer their time at no cost to the businesses of perspective entrepreneurs.

I am here today to talk about the duplication of services in SBDC and SCORE. Because I, myself, am a retired executive, I would like to illustrate by using a business analogy. The Federal Government is like a giant conglomerate with 226 million citizens acting as

stockholders. You in Congress are the board of directors. Income taxes are like shares of stock. The American taxpayers supply the Government with the capital it needs, just like stockholders. Just like stockholders, the American people expect the best return for their money that they can get.

It is therefore in your interest as the board of directors to run the most efficient operation possible, so that you can provide your stockholders, the American people, with the greatest possible return. To do this as good business people, one of the first things you should review is duplication of services. The question is, are there separate corporate programs or, in our case today, Government programs, fulfilling exactly the same functions?

If there are, you should want to eliminate that duplication and streamline your operation.

In this area of unprecedented levels of deficit spending, it is imperative to shareholders—the taxpayers—that government operate efficiently. Gentlemen, I have come here to inform you that in many ways SBDC and SCORE are offering the same services.

In Tacoma, both the SBDC and SCORE deliver some like counseling service through the chamber of commerce. Some SBDC offices inform us that they provide a substantial amount, as high as 50 percent, of beginning business counseling. The SBDC is a wonderful source of assistance to the small business community, but I feel that it is not being utilized as well as it could be. The SBDC should be guided to leverage more of the university-based resources with emphasis on high tech, emerging growth businesses, in-depth consulting, and research to foster small business innovations. As I understand, in this last year SBA has made headway in helping the SBDC direct their valuable resources, but more coordination is needed. SBA leverages many other resources to service small business needs.

I further understand that SBA provides only half of the SBDC's funding, along with the funding which comes from the State level whether it be through the university system, State legislature, or a division of State government. Priorities other than SBA's are placed on the SBDC's by State-level funding sources.

I propose that SBA, source of 50 percent of the funding, meet directly with the other sources of SBDC funding to develop priorities in meeting small business needs for the SBDC to implement which realistically addresses both national and local small business needs. This would provide much needed clarification.

We need firm direction clarifying which functions can best be done by SCORE, and which can best be done by SBDC as well as any other resources leveraged by SBA. Until this is done, we will continue to waste precious resources and continue to confuse recipients of our like services offered. Or, as I said earlier, we won't be getting the best possible return for the money of our stockholders, the American people.

Now when you begin to sort out what functions belong where, you should look at the track record of programs involved. SCORE, with 405 chapters throughout the United States, counseled 128,693 businesses or potential entrepreneurs in fiscal year 1982. This makes the SCORE resource the largest in terms of numbers of small business impacted. In this region, comprised of Washington,

Oregon, Idaho, and Alaska, SCORE has provided approximately 10 percent of the counseling activity accomplished by SCORE nationwide with less than 5 percent of the Nation's volunteers.

It is inappropriate to compare SBDC and SCORE, given the differences in the organizations, but I strongly feel that both organizations fulfill small business needs and one program should not be funded at the expense of the other.

In conclusion, we look forward to a very productive future in the working partnership between SCORE and Washington State SBDC in providing the most efficient delivery of service to our small business community.

Mr. MITCHELL. Thank you very much, Mr. McCabe.

Mr. Davis, we will hear from you now.

**TESTIMONY OF DONALD J. DAVIS, LEGISLATIVE CHAIRMAN,
CHAPTER NO. 180, SERVICE CORPS OF RETIRED EXECUTIVES**

Mr. DAVIS. Thank you, Mr. Chairman.

The chapter 180 in Spokane, Wash., consists of 110 members of SCORE/ACE. These are very well qualified, and each individual is identified as to his expertise.

When cases come in from the SBA office for SCORE assistance, the expertise of the counselor is reviewed before he is assigned to the case and that enables us to send someone out in compliance with the application made by the applicant, and to cover the tangents that are required to be covered by the applicant.

Now, we have been through a situation back in 1980, and 1981, wherein the SBDC Directors Association had retained the services of Allan Neece Associates to lobby before the Congress of the United States. This was a very unfortunate situation and created considerable chaos. The State director at that time of the SBDC was very vocal in his activities on the national level. We went to WSU and we met with Dean Markin, discussed this situation with him, and a change was made.

Ed Owens then came in as the acting State director of the SBDC.

The transition that took place was as vivid as night and day. Ed Owens has worked with us and we have formulated a working agreement with the SBDC. That working agreement, as Mr. Owens testified here this morning, has been adopted in four or five other States and it is now being considered at the national association level in Washington, D.C., as one of four drafts for a recommended working agreement with all SCORE chapters over the United States.

We believe that if such an agreement can be made, we will be able to build more harmony in the functional organization of the various programs that the Government has to offer.

For example, under the SBI program within the universities, when students are designated and informed as to what business they as a team shall go and examine and then write up their final papers for a specific grade. We have suggested, and it is up for consideration at the present time that if the expertise of the SCORE/ACE program can be of benefit by briefing these students before they go out to the businesses as to what they should look for and how they should approach it, I think this would be of great benefit

to the students and an economy in the overall program, because we as members of SCORE are the most inexpensive factors that I know of in the Government.

We volunteer our time.

Now, the active corps of executives, when a man is willing to take his time away from his business to go out here and help other businessmen find themselves, get established and get into business, I think that is a great tribute to those men.

I think that there is very ample opportunity for us to coordinate what we have done in the State of Washington with the help of Ed Owens and Dean Markin at WSU.

I think that we can sell this program over the whole United States, and I think that we can show that we can do a much better job on a national level than has been done to date.

Thank you very much.

[Mr. Davis' prepared statement follows:]

PREPARED STATEMENT OF DONALD J. DAVIS, LEGISLATIVE CHAIRMAN, CHAPTER NO. 180, SERVICE CORPS OF RETIRED EXECUTIVES

On July 24, 1981 I was a member of a group which met with Dean Markin of Washington State University for the specific purpose of requesting the removal of Mr. Gene Hansen from the office of State Director of the Small Business Development Center (SBDC). Other members of this group were Mr. V. W. Cameron, District Director of Small Business Administration; Mr. Robert L. Schinzel, Assistant District Director for Management Assistance; Mr. Ted Sharpe, Management Assistant Officer; and State Senator Sam Guess from District #6.

Mr. Hansen had been an overly active member of the SBDC Directors' Association and was openly campaigning for the abolishment of the Management Assistance program of SBA. This Association had retained the services of Allen Neece and Associates as paid lobbyists to carry their campaign to the Congress of the United States. The question here is why should any person from any office or agency be given the right of lobby before the Congress of the United States through the services of a paid lobbyist when their very existence is dependent upon Federal or State funds?

On August 7, 1981 a letter was sent to the Inspector General, SBA, Washington, D.C., raising the issue of "Improper Use of Government Funds." This letter was from the office of the District Counsel, SBA, Spokane. To date there has been no audit nor response to the letter.

By letter to the Attorney General on August 3, 1981 Senator Guess asked the following questions: "Is it proper for a state employee to divert state funds for the payment of dues to an organization that is not authorized? Second, is it proper for that employee to use public funds to travel to meetings of such an organization? Thirdly, is it proper for that employee and that association to lobby the United States Congress?" What the Attorney General failed to answer might be answered by the Congress of the United States in either republication or revision of the rules of behavior for persons who are charged with the expenditure and protection of Federal and State funds.

Now for the brighter side of the picture. Mr. Hansen was removed from office and replaced by Mr. Ed Owens as Acting State Director for SBDC.

A working agreement was crafted for cooperation between the SBDC and SCORE/ACE programs. Washington State University, Eastern Washington University, and the University of Idaho are all working together within the framework of the new agreement. In fact, with Eastern University we have two members of SCORE who volunteer their services weekly to SBDC. They are kept busy in the capacity of Counselor for Small Business or in an advisory capacity for SBDC research problems.

It is important to remember that the resources of these groups are inherently different. SBDC is a textbook view of the business world, on a broad perspective. University students under the Small Business Institute (SBI) program are new to the business world and are learning as much as they can within a very limited period of time. SCORE/ACE, on the other hand, are people who have been through the hard knocks of operating a business, or some phase thereof, which enables them to pro-

vide a practical approach to most of the questions raised by small business operators or prospective operators.

At the National level SCORE/ACE is now an Association. What this change is going to do to the overall effectiveness of their programs is not clearly understood. Why should there be bickering and fighting between SBDC and SCORE/ACE throughout the United States? There is only one answer, in my opinion, and that is the chaos that has existed since the SBDC Directors' Association started in with their paid lobbying on Capitol Hill in Washington, D.C.

As members of Congress, you gentlemen have the power and the authority to stop this kind of unfortunate behavior, once and for all.

I furnished a copy of our working agreement with SBDC to Mr. Joe Knight of Rhode Island, who said that it was the best agreement of this nature that he had seen. Mr. Knight indicated that it would be used in Rhode Island, as a format, to put a stop to all of the problems that they have been having back there.

I have just been informed that SCORE/ACE members of the State of Georgia are quitting their voluntary counseling because of the discord existing with SBDC. If this is factual, then someone better get busy and clear the air, so that the economy of Georgia can keep up with the other States of these United States in our all-out effort toward economic recovery.

Mr. MITCHELL. Thank both of you.

I want to get it straight in my mind. Apparently there was what I will call a turf battle. I am talking my way through it. Apparently there was some turf battle between SCORE and the SBDC. Apparently that has been resolved in the State of Washington by your agreement which has been sent to Washington as a possible model for other areas to obtain the same kind of good working relationship. Is that pretty much what your testimony is?

Mr. DAVIS. That is correct.

Mr. MITCHELL. OK. I have just one other question.

First, I am a little confused because in your testimony you are still talking about duplication and yet I would assume with this working agreement you have eliminated duplication.

Second, you suggested in your testimony the possibility of SBDC centering its activities or their activities primarily into high-tech, emerging businesses, and you listed several other things—making a clear-cut distinction between the scope of operation of SBDC and the scope of operation for SCORE. Is that correct?

Mr. McCABE. That is correct.

Mr. MITCHELL. OK. Clear up for me then why you refer to ongoing duplication when you apparently have worked out an arrangement here that is satisfactory to you.

Mr. McCABE. The arrangement that was made originally was made through the Spokane chapter. I think it had some very good points and a steppingstone for continuation of working out an agreement at the national level. At the outset, in innovation and in-depth studies, we do lots of one on one, lots of seminars, workshops, as they do. But we have been doing this since 1965 and I have been at it 8 years. You are getting the expertise of a wide range of people.

In the Seattle, Tacoma, and Everett chapters, we have about 140 members. As a result, we can draw that practical experience from that 140 volunteers that gives us a good drawing of expertise from practical experience for those people that are making inquiry of going into business or are in business and are frustrated or having real troubles.

Mr. MITCHELL. Well, I am not quite sure that was an answer to my question, but we will hold that in abeyance for a moment and think about it a little bit more.

I am troubled in trying to understand why you admit to an agreement that is workable, and yet you are still talking about duplication of service, and why you would recommend what appears to me to be an almost artificial separation out between the work done by SCORE and the work done by SBDC.

Just think on it a little bit and we will come back to it. Or, if you want to respond now—

Mr. McCABE. We do a lot of short-term counseling, that is people making inquiry the first time. Then we go into indepth if it is necessary, but a lot of people coming in are wanting just orientation on a one to one basis.

We solve the problem there maybe. Maybe it is a more indepth deal. So, as a result, a great share of counseling goes into short-term counseling. That is in their classification under 12 hours, I believe.

We are duplicating the same service. So that when you go out to a chamber, for example, and you have both Government services side by side, we are doing it at a cost level, as I see it, much less than they were paid employees and paying for the expert, where we are doing it on a voluntary basis, giving that broad expertise of 140 people rather than narrowing it down to a paid personnel of 12 or 18 with a draw, of course, from private sector.

Mr. MITCHELL. Do you have a comment?

Mr. HALL. Yes, Mr. Chairman.

In a broader view, from an administrative point of view, we have here "providing management counseling."

The Small Business Administration has its own counselors, management assistance counselors. We have SCORE providing management assistance. We have the small business development centers providing assistance. We have the small business institutes, in colleges and universities, providing assistance. We have the active corps of executives providing assistance.

Heretofore these programs, to the extent they were managed, were managed from Washington and there was a problem of relationships in some areas—as, for example, you have heard historically a problem between the SBDC and SCORE, which we feel we have pretty well resolved here.

Now, what we have done is decentralize responsibility for program management to the region, as here in region X, and to the district. That means we can address these problems.

Now, as one step, there was an agreement in Spokane between SCORE and the SBDC. That agreement did not specify what kind of counseling SBDC would do versus what SCORE would do. It didn't address that problem.

That is why there is no answer to it.

Let me go on to say now that the program management has been decentralized to us. You will recall I said we had a new program here in this area, business development, under which we have already proposed to the SBDC that the SBA take a look at the need for management counseling, and then take a look at the qualifications, different qualifications, the SBI, SBDC, SCORE, and so forth,

and funnel and assign out, with agreement, these different types of counseling cases to these different agencies so that the SBA becomes the friendly coordinator to receive and to in turn parcel out these consulting cases and that does need to be done.

It is better to do it, I think, on the local scene than federally.

Mr. MITCHELL. You have opened up something that troubles me so much. It doesn't matter whether it is done on the Federal or local level. My basic question is, and I don't want you to try to answer it now, do you really need five entities doing the same thing? That is the question.

Mr. HALL. Need what?

Mr. MITCHELL. Five entities. ACE, SCORE, SBDC, your own management people within SBA. I really am concerned about this and it almost addresses the issue that Congressman Wyden raised. Because you have some people with interest in helping, and you don't want to hurt anybody, you keep adding on and on. You end up with 15 entities doing management assistance, which enhances your friendly coordinator role from 5 to 15. I won't pursue that now. At least think about it.

Yes.

Mr. DAVIS. Congressman Mitchell, under the SBI you have a group of students that are being trained on a technical level, and they are being educated. So that is one factor. Under the SBDC you have indepth research and counseling that goes into indepth level.

Now, I pay high tribute to Washington State University for the qualifications of their staff, but they could not cover the identity of all businesses.

Under the SCORE/ACE program, you have a broader scope and if the SBDC will make themselves take over and look at the SCORE/ACE capability, and work together, you will find a greater harmony, a greater efficiency at less cost.

Mr. MITCHELL. Thank you. I guess I am concerned about an increase, not on an arithmetic basis, but almost on a geometric basis.

Senator.

Senator GORTON. Could each of you tell me what his own particular management area of expertise is, the areas in which each of you provide counseling to clients?

Mr. McCABE. I worked in a bank. I graduated from WSU over 50 years ago. I worked in a local bank; worked with the Farm Credit Administration in mortgage lending. Then I went with a CPA firm. Went from there to an oil company in Spokane; later with Standard Oil Co. of Indiana. Later I came back with the Gulf Industries in Seattle, and then retired. So I worked with finance, mortgaging, and in all phases of small business, with service stations, convenience markets, all levels of small business.

Senator GORTON. Mr. Davis.

Mr. DAVIS. I was an appraiser and investigator for the transportation department, State of Idaho, on land matters.

Before that I was an industrial specialist for the Small Business Administration.

Prior to that I was Federal adjudicator of lands for the Bureau of Land Management.

Previous to that I had been a general manager of Organic Corp. of Florida and its subsidiaries. During the war, I was in technical training center, and combat intelligence, U.S. Navy.

Senator GORTON. What kind of expert advice do you provide to small-business clients?

Mr. DAVIS. Mainly upon the management, organization, personnel, marketing location. Incidentally, I used to do marketing analysis for Kraft Foods Co.

Senator GORTON. In the case of each of you, approximately how many small businesses will you advise during the course of 1 year, and how many hours will you put into that voluntary work?

Mr. McCABE. Well, I would say that I average at least 1 day a week, sometimes 2. It depends. You might get a case and be on it three times in 2 weeks, the same one.

I work a lot with general counseling. If I get into a restaurant situation that I know very little about, I call in one of our staff in the restaurant field who can be more knowledgeable.

Senator GORTON. Over the course of 1 year, you are working at least 1 day a week and maybe 2.

Mr. McCABE. Very definitely.

Mr. DAVIS. I would say that I average 2 days a week.

Senator GORTON. Are you typical of your SCORE chapters or would you be above average in the amount of time?

Mr. DAVIS. I would say I am just a little above the average in time consumption.

Mr. McCABE. I think that would be true. There are probably in our chapter of 140 in the neighborhood of 90 that are active, participating on a regular basis.

Senator GORTON. In any event, it is a very large investment of time, and effort, and expertise on the part of your members.

Mr. McCABE. We feel that way.

Mr. DAVIS. Correct.

Senator GORTON. Thank you. Thank you, Mr. Chairman.

Mr. MITCHELL. Thank you.

Congressman Wyden.

Mr. WYDEN. Thank you, Mr. Chairman. I appreciate the thoughtful comments we have heard from both of you gentlemen here this morning.

I was director of the Oregon Gray Panthers for about 7 years before I came to the Congress, and worked very closely with my SCORE chapter in Portland.

I just cannot say enough good things about the Portland SCORE chapter, and the value of this program. They are the greatest thing to hit Portland since night baseball.

I just have one quick question. There was a thought that occurred to me during the years I worked with the Portland SCORE group, and I have thought about it since: Do you make a systematic effort to get in touch with the major employers in your area and say:

We would like to talk to your people, your executives, that are about to retire. We would like to make an effort to contact them before they go off the payroll, so we can begin to get the message out?

Is there any effort to do that? Because it strikes me if it is not being done, that is something that we could do that would not cost any money and would give us a chance to really make your numbers multiply just by contacting the major employers and saying, we are interested in talking to your people.

Mr. McCABE. I made that effort with the accountants association, people retiring. I got a lot of enthusiasm at first. They ended up by saying: "When we retire, we want a job that pays us something."

They still wanted a pay factor in many cases.

I have talked to several bankers. Some of them have been remotely interested, and we have several bankers on our staff, but it looks like we could have more because we know lots of bankers are retiring.

Mr. WYDEN. Then there is no systematic effort.

Let's just take Seattle. You contact Boeing, the wood products firms, and very systematically go to these people and say: "We would like to come up for a brown bag lunch and make a presentation."

My guess is you would find some people that would attend those meetings. Even if you got just a couple or three out of a major company, you would have a whole new pool of energy and volunteers. Maybe your colleague has some comments.

Mr. DAVIS. In a discussion with the 110 members of our chapter, they are encouraged to keep in mind that business executives who are retiring go through a transitional period from active life to retirement and they don't like it. And they are very receptive to a suggestion. They might come in and sit on the SCORE desk, or they might come in and work on cases.

I have had no trouble, with the people I have talked to, in encouraging them to come in.

Mr. WYDEN. I think that really highlights the point I want to make. I taught gerontology for a number of years when I was a member of the Gray Panthers. I would like to see your service become a part of the retirement planning programs that companies are starting.

I think we are going to see an explosion of activity, private companies starting real formal retirement planning programs. I think this kind of systematic effort to contact people would be very helpful.

My experience was that you need to go right to the companies. You cannot go to the professional associations because they say: "We are just a repository for lists." I would like to work with you gentlemen and other members of SCORE because I think there is a tremendous voluntary pool out there.

Mr. DAVIS. There is.

Mr. WYDEN. Thank you very much.

Mr. MITCHELL. Mr. Chandler.

Mr. CHANDLER. Thank you, Mr. Chairman.

All the good questions have been asked; I will pass.

Mr. MITCHELL. I am a kind-hearted, old man. I assure you when we have the next set of witnesses up, you will lead off with questions and I will defer to the end.

Gentlemen, thank you very much. I am still a little troubled, but I will think my way through and get back to you.

We will now hear from the people who have benefited from the services being offered. Quinten Ellis is president of Peoples Small Business Investment Corp. in Seattle; Susan Hoffman is president of Intermedia, in Seattle; Diane Thompson is a partner in Panache, Ltd., in Seattle; and Eden Deutsch is from Metaconcepts, in Seattle, Wash.

Before receiving your testimony, I want to give my personal attestation for members of the panel to a service provided by one of these companies.

Let me start by saying I drive a 3-year-old Ford Granada. On a recent visit to Seattle, I was provided with a very luxurious limousine. The service was just excellent. Everyone was courteous and attentive. That is the Panache, Ltd. Company. I appreciate that service.

Mr. Ellis.

TESTIMONY OF QUINTEN ELLIS, PRESIDENT, PEOPLES SMALL BUSINESS INVESTMENT CORP.

Mr. ELLIS. Thank you, Mr. Chairman.

My comments outlined below are in response to your letter asking me to appear before your committee on hearings that you are holding concerning the small business development center program.

I am president of the Peoples Small Business Investment Corp., a wholly owned subsidiary of Peoples National Bank of Washington. We are a venture capital company authorized under the Small Business Investment Act of 1958.

My first exposure to the small business development centers came while I was working with a small company which was seeking venture capital to help them market a new product they had developed.

I was very impressed with their business plan and asked the individual with whom I was carrying on negotiations if he had drawn it up. He told me that he had done most of the work on it, but it was drawn up with the assistance of Robert Rodwell at the Washington State University Small Business Development Center.

At that time I was relatively new in the venture capital business and I had not even heard of this organization. He explained that they rendered various types of guidance to small businesses and to individuals who were trying to start or develop new business enterprises.

I asked for Mr. Rodwell's phone number, as I felt that some of these new businesses might also be seeking venture capital.

I did meet with Mr. Rodwell and he described the services they offered. I outlined to him the type of companies we were seeking as potential investments for our venture capital operation. It was not very long after that that he directed a new company to me. They had already started their business but needed additional funds to finance their operation. The outcome of it was that we did invest some money in the company to assist them.

I was also instrumental in getting them introduced to one of the branches of Peoples National Bank, which arranged a loan to give

them additional funds beyond the money put up by us and other investors.

As a result of this financing, the company has been able to expand its operation and employment.

I have had many people come in to see me about getting some venture capital. Many of them come in with no financial figures and in many instances do not know where to start. With the lack of certain basic information, it is impossible for me to consider making an investment in their company.

On many occasions I have referred these people to the small business development center for initial guidance in determining the feasibility of their product and in developing a business plan.

In recent months this center has begun providing another service known as an invention and innovation evaluation. Mr. Rodwell explained that the innovation assessment center would make an evaluation of the product for a charge of \$95, which certainly seems like a very reasonable price for that service. I have referred quite a few people to the center to get an evaluation of their product and know of two that have done so; both of them have been pleased with the process. One of these is from a company that I am presently working with, to see if we can provide them with funds to help market their product.

The principal brought in to me a copy of the results of the study that was made by this innovation assessment center. He was quite impressed with the report in view of the fact that the evaluation was made only from material provided on a fact sheet, without the people actually seeing the product.

As a potential investor, it just adds another dimension to my decisionmaking on a project, by providing me with additional facts and presenting an independent assessment of the product. It gives me another checkpoint to either substantiate my opinions or cause me to reassess or consider other factors that I may have overlooked.

Prior to becoming the president of Peoples National Bank's venture capital fund, I was in charge of their corporate lending division. Probably one of the most significant things that I become more aware of in the venture capital business that was not such a central issue in banking is the tremendous importance of marketing, the costs involved, and the numerous ways in which a product can be marketed.

If done properly, the product can be extremely successful, but if the marketing techniques chosen are wrong, the product may not succeed in realizing its full potential.

Robert Rodwell and Ed Owens, the director of the WSU small business development center, informed me that on occasion they will have upperclassmen in marketing at Washington State University make a study of a product and recommend how it should be marketed. I have not been involved with any company where this has been done, but I think it is an exceedingly fine program for these reasons.

First, it gives the students valuable practical experience in marketing.

Second, it gives the small businessman tremendous help from qualified people at a very minimal expense.

Many of these young companies are in a tight position financially, and it certainly is very helpful to be able to get inexpensive guidance on the best way to market their product.

I did see a study made by three upperclassmen at a university that had *nothing to do with this particular program*, and I was extremely impressed with their report.

I felt that they probably in some ways did as fine a job as some professionals could do, for this reason: They went into homes and talked to consumers. I figured they got an entree that probably a commercial businessman wouldn't have been able to obtain.

When they came through with their conclusion and report, I thought it was outstanding. So I have seen results of one that was not necessarily connected with this program, but done by university students.

Also, I want to add we just recently made an investment in a company. We are now utilizing the services of some students from one of the universities in trying to get directed as to the proper way of effectively marketing our product. So we are using those people right now, through the Washington State University Development Center.

I hope this information, based upon my personal contacts and observations, will help you in evaluating the effectiveness of the small business development center program.

Dean Markin said that the small business people do need assistance. I agree with him. They have no staff to draw on, to help solve a myriad of problems and make the proper decisions.

As a venture capitalist, after I make an investment in companies, I can spot a lot of problems that need to be solved to make the business successful.

I don't have all the answers myself and cannot provide all the help personally. However, because of my number of contacts which I have developed in my numerous years in banking, I can put them in contact with people who can help and assist them in solving their problems.

I feel that the small business development center is one of these organizations or people that I can call upon to help direct people in giving them assistance.

Mr. MITCHELL. Thank you very much.

Ms. Hoffman, the president of Intermedia.

TESTIMONY OF SUSAN HOFFMAN, PRESIDENT, INTERMEDIA, INC.

Ms. HOFFMAN. I am Susan Hoffman. We are a 3-year-old video production company. We develop training, education, and information video tapes and programs.

Right now we are developing an interactive video program for merchandising and training in the computer industry.

I will preface my remarks by saying that my experience with the small business development center is really very closely associated with Jack Lawson.

Most of my interaction has been through him.

I will focus on the kinds of things he did for Intermedia.

I first met Jack at an entrepreneurship class in the graduate business program at the University of Washington. This was a

class that talked about case studies and was fairly academic. Jack came in and talked about his experiences as an entrepreneur. This was very helpful to the people.

He also talked about the small business development center which was just starting at that time. So, when I started a business about 6 months later with another partner, I went to Jack and he talked about what we were doing and helped us with some ideas on how to get organized.

The role that he has played in the growth of Intermedia basically has been to be somebody who is there at critical points in our history and help us with information and support and advice.

When we took in a new partner, we came in and introduced him to Jack. Then the original partner left. Again we came back to Jack and talked to him about some of our experiences. We told him about some plans we had for developing a video program on information for hotels.

Jack encouraged and supported us. We went back, produced the program, and then showed that to him.

At that point he said, 'What you need is help in marketing and I know somebody to help you with that.'

Again he introduced us to a person who later became the third partner in Intermedia.

His role in all of this has been to be a person who connects us with other people.

Recently we just finished a business plan and took it to Jack. He reviewed that, gave us suggestions and again connected us with people who would take us to the next stage of our business, both in terms of hardware development and marketing we need.

But the role he has played in Intermedia is basically to connect us with other people and to offer support and advice to us when it has been needed.

Because the small business development center is a kind of nucleus, a focus for a lot of people, it becomes a real information resource for people who are entrepreneurs, and one of the things that we discovered is that what you need is people to make anything go.

So it is those kinds of connections that have been really important to us.

The other critical thing that they have done for us, for me in particular, is to offer support for the times when you are feeling like "Why am I doing this? What is the point of all this? I don't need to be here."

It is listening to somebody like Jack who has been through the whole process and come out successfully. A couple of weeks ago I was visiting him and he said "I don't know why I had to make all those mistakes, and make them over and over," and I thought, "Thank goodness I am not the only one that does that."

So it is those kinds of little pieces that are critical to keeping small businesses going that I think the center provides.

Mr. MITCHELL. Thank you.

[Ms. Hoffman's prepared statement follows:]

PREPARED STATEMENT OF SUSAN HOFFMAN, PRESIDENT, INTERMEDIA, INC.

Intermedia is a three year old video production company in Seattle, Washington. We produce information, training, and education-oriented video programs, and are

now developing a series of interactive merchandising and training video programs for the microcomputer industry.

I first met Jack Lawson at a graduate business class at the University of Washington on entrepreneurship. Jack spoke to us about the potential and perils of entrepreneurship, and described his journey through them. He also mentioned the Small Business Development Center which was formed at that time.

Six months later Intermedia was incorporated, and my partner and I met with Jack to discuss our plans. We continued to meet with him throughout the year, and he guided and supported us when another partner joined the business, and the original partner left. In May 1982, Jack saw a videotape we produced on a video hotel tourist information program, and we talked about our plans to market the program. Jack then introduced to Stan Barnes, who, he felt, could help with our marketing efforts. We worked with Stan for six months and in January 1983, he joined Intermedia as a partner.

We have just completed a business plan to raise capital for our expansion. Jack provided with feedback on the plan, and again connected us with others who may help us take the next step in the development of the company.

Jack has been a much needed source of support, encouragement, and information. He has helped us with plans, ideas, and provided us with necessary personnel and connections when we needed that resource to take our next steps in the growth of the business.

The Small Business Development Center provides an extremely needed and important function for small entrepreneurs struggling to make their company into the next Physio Control or Microsoft. Since they are the information center for a number of people they are able to connect those people to each other, and offer suggestions and introductions. They are a valuable resource for entrepreneurs who are idea-rich, and cash-poor.

Jack Lawson's own career as an entrepreneur allows him to draw on his experience and offer real-world advice and counsel. Academic research, valuable though it may be, cannot substitute for the experience base which Jack provides, and the valuable support he extends to those less experienced.

I strongly encourage Congress to continue the funding of the Small Business Development Center. There is no other resource comparable to it in the area, and no other way for entrepreneurs to easily access the useful wisdom, in sight, information, connections and support that the Center provides to this generation of small business. Entrepreneurship is thriving, and the Center is critical to its continued success.

Mr. MITCHELL. Our next witness is Ms. Diane Thompson.

TESTIMONY OF DIANE THOMPSON, PARTNER, PANACHE, LTD.

Ms. THOMPSON. Mr. Chairman and committee, good morning.

My name is Diane Thompson.

I would like to thank Bob Rodwell and his staff at the SBDC for the assistance given us in getting Panache started. I am most pleased to be here and quite proud to speak on behalf of the small business development center.

I know that your time is valuable, as mine is. Therefore, I have prepared a short statement that I will read to the committee.

I am here today representing my partner, Steven C. Minnis and Panache. We have known about the SBDC for several years and have utilized their expertise in trying to get several of our ideas off the ground.

We have had formal business plans for health centers, the refurbishing of office buildings, and for our now active and expanding limousine service. With the professionalism and true concern of Mr. Rodwell and his staff at the SBDC, we have come a long way and learned a great deal.

For small businesses, we believe this is the only organization that takes the time to explain the importance of developing a solid business plan that includes such information as need of proposed

idea, projection of idea, market area, financial and income statements, and balance sheets.

I named only a few of the necessary ingredients for a successful startup, but by learning from the small business development center how to document this information properly, Panache has become a viable business which offers the most unique limousine service in Washington State.

We are only 7 months old, so the small business development center has not seen the last of us.

Without this information, without this assistance, our chances of becoming a business would have been terribly difficult. Without much money, you don't get much, if any, assistance from the private sector.

We have told other individuals, as well as other small businesses, about the assistance the SBDC has to offer.

It would be a shame to dissolve the only organization in the State that takes the time to work with potential or active small businesses. Working through a formal business plan with all the consultation time required would create a startup cost that would be prohibitive for most small businesses.

We strongly feel that an organization such as the small business development center has a vital position in today's economic, social, and business structure.

The small business development center is a worthwhile organization. However, we would like to see more visibility in the minority community which definitely includes having minorities on staff, and also more focus on young entrepreneurs.

There needs to be more notification of the seminars previously mentioned for small and minority-owned businesses.

I hope our input has benefited the small business development center in a positive manner. Thank you for your time.

Mr. MITCHELL. Thank you.

Mr. Deutsch.

TESTIMONY OF R. EDEN DEUTSCH, PRESIDENT, METACONCEPTS, INC.

Mr. DEUTSCH. I am Eden Deutsch. My company is Metaconcepts. I also want to comment on the conscientiousness of the contact person that I have had with the small business development center. As my statement reflects, I have been utterly amazed at times at how conscientious Bill Jacobs has been in getting back to me with information about going the next step, finding resources that I need and so forth.

For many years I have been involved in the mental health field as a director of a mental health center, as an administrator of a care facility. I was a seminar leader in private practice as a therapist. I became interested in bringing the principles that I had been working with to the private sector, ideas of human development and human relationships that I thought would benefit businesses and business owners.

In an attempt to impact the private sector, I got involved with the small business development center basically in order to find out how to do that. The contact person that I had, Bill Jacobs, was

incredibly valuable in helping me package my information or my product, in giving me very realistic parameters about what the market wanted, what the market would bear, and essentially how to develop the product that I was interested in providing.

Essentially that is what I have to say regarding the small business development center. Again I would like to emphasize how helpful they have been to me and then how conscientious Bill Jacobs has been in taking me the next step.

Thank you.

[Mr. Deutch's prepared statement follows:]

PREPARED STATEMENT OF R-EDEN DEUTSCH, PRESIDENT, METACONCEPTS, INC.

Metaconcepts, Inc., a management consultation firm, providing training and development materials and organizational consultation, first became involved with the SBDC in the fall of 1980 and continues to use the services which this organization provides.

Over the past years the SBDC has been extremely helpful in providing support as well as specific services. In particular Bill Jacobs has been very available and responsive to meeting a wide range of our needs. We have had the benefit of Mr. Jacobs private sector experience in evaluating the training needs of the marketplace, in terms of content, presentation style, and price criteria. We have received excellent input as to marketing strategy and packaging, as well as from just bouncing off some new ideas.

The SBDC established a mutual and collaborative relationship with us, insuring the strictest confidence, which provided fertile ground for the creative process of developing a business plan with product development and marketing strategies. Realistic assessments and very valuable feedback was given in an honest and forthright measure that wasn't distorted by false optimism, or plagued by nagging pessimism. In his counsel Mr. Jacobs walked the fine line of expressing his realistic concerns while not discouraging any forward movement.

In addition to providing consultation, the SBDC has been excellent as a resource organization, helping us to hook up with other consultants when we had a job that included some work that was out of our area of expertise. On many occasions I would give Bill Jacobs a call to ask him a question about something and be amazed when he would get back to me the next day with an array of possibilities. I was also particularly impressed when Mr. Jacobs would give me a call saying he had an idea that he thought I might be interested in and present it.

Another service that the SBDC has provided was in the form of a collaborative training series put on in the Fall of 1982. This series, which was to the mutual benefit of the SBDC and Metaconcepts, gave us the opportunity to see a different market segment, as well as to sharpen skills and get some public exposure.

In closing, I feel that the Small Business Development Center has been of great value to Metaconcepts, and I look forward to an ongoing relationship with them.

Mr. MITCHELL. How long have you been in business?

Mr. DEUTSCH. Almost 3 years.

Mr. MITCHELL. I want to thank all of you. We have some questions.

We will start off with Congressman Chandler.

Mr. CHANDLER. Thank you. That is very thoughtful.

This is excellent testimony. Ms. Hoffman, I was intrigued by the terms you used, "critical points" and "critical" to your firm. I think those are strong words, but what were the critical things that were going on in your business that created the need for the small business development center assistance to you?

What was your biggest need? How big is your business now? I would like to know a little more about that.

Ms. HOFFMAN. I will speak to the primary point. When we had finished this program and knew that we needed help with the next step, which is—once you have the product what do you do with it?

I appreciate the fact that it takes money and effort and time, and a whole different set of skills and expertise to go out and market it, get it out so somebody will buy it.

So, it was at that point that we needed somebody else in the organization that could help us with marketing because neither of us had had experience with that. At that point it was just the two of us. My partner is an excellent camera person. I did the organization and administrative piece, but we needed the marketing piece.

Jack was really critical in bringing in somebody that he had worked with himself, that he knew and trusted. So he was really the middle man for bringing the two of us together and taking us to where we are now.

Mr. CHANDLER. Had you had any experience at all in developing a cash flow projection?

Ms. HOFFMAN. Some limited experience. That is another piece that I have been learning and now know.

Mr. CHANDLER. You knew a lot about your business, but were not very good at managing your business.

Ms. HOFFMAN. You learn very quickly. I know what cash flow is now.

Mr. CHANDLER. Ms. Thompson, would you comment on that also? How big is your firm now?

Ms. THOMPSON. Actually we are still fairly small. We are only 7 months old. We have two cars at present with a third one on the way.

As far as critical points, it was just the reinforcement that, yes, we had a good idea and could expand on that and have a very viable business.

Mr. CHANDLER. Did you lease the cars, or purchase them?

Ms. THOMPSON. Both. We found it has been more effective, just through learning the process and so on about financing.

Mr. CHANDLER. Your business is only 7 months old?

Ms. THOMPSON. Yes.

Mr. CHANDLER. You are still in the critical stage, I suspect.

Ms. THOMPSON. We are. We have come a long way in a short time. We can see; yes, this was and is a very good idea, and it has definitely been worthwhile.

Mr. MITCHELL. Mr. Deutsch, you are more service oriented.

Mr. DEUTSCH. Yes; I think that the person I dealt with was very flexible, in being able to deal with me in the terms I needed to be dealt with. Rather than starting to do a series of projections about market shares and so forth, I just took it for granted there was a need out there for the service because other people were providing it, and learned from that standpoint how to deliver that, package it, orient my product and so forth.

Mr. CHANDLER. Your assistance came more in the marketing area.

Mr. DEUTSCH. Marketing, packaging.

The gentleman that I worked with had been, I think, a president of a branch of a major manufacturing company. He told me what the products looked like, what the packages were that were put on his desk as a president, what they cost, looked like, what impressed him about it and so forth.

So it was very helpful in getting very realistic feedback about what it needed to look like and be presented.

Mr. CHANDLER. Thank you, Mr. Chairman.

Mr. MITCHELL. Thank you.

Congressman Wyden.

Mr. WYDEN. Thank you very much, Mr. Chairman.

This is a very good panel because it gives us a chance to talk to people on the front lines.

My experience with my small business has been that the single biggest problem is access to capital, access to working capital.

Would you three say that was your biggest concern?

Ms. THOMPSON. Definitely.

Ms. HOFFMAN. Yes.

Mr. DEUTSCH. Yes.

Mr. WYDEN. Given the fact that this was your biggest problem before you contacted any Government agency, small business development center or anybody else, did each of you three go out and try to secure capital on your own?

Did you go out and knock on some bank doors, visit with financial institutions and, if you did, I would like to hear your experience, whether you were treated fairly.

Why don't we start with Ms. Hoffman.

Ms. HOFFMAN. Sure. Four or 5 months after we started the business, we went to a local bank and asked for money, and put together sort of a business plan. We wanted to buy some camera equipment and we would have gotten the loan if we had put our house up as collateral.

We were not willing to do that for a number of reasons.

Mr. WYDEN. It is kind of hard to live outside in the Northwest.

Ms. HOFFMAN. That is right.

So we turned that down. Obviously we didn't have enough of a track record, even if it was equipment we were buying. It still was not enough of a track record for them to invest in us.

I realized at that point in order to get the kind of capital we really needed, we needed a stronger experience base and a track record. That is precisely what we have done.

So, at this point we are now going through that very laborious process of raising capital.

Mr. WYDEN. I want to get this in sequence.

Did you have trouble getting capital originally?

Ms. HOFFMAN. We could have gotten it if we put up our house for collateral.

Mr. WYDEN. Ms. Thompson, I would like to hear about your efforts to get capital.

Ms. THOMPSON. We did go to some banks. Even though we had a good business plan and some experience in putting projections together, the banks were not familiar with limousine services: "Are you really going to make the money to pay this loan?"

Being students initially we didn't have any collateral. We said we knew what we needed and we believed enough in our business to pursue it. It is now starting to fall into place with a track record and references and continuing to show the cash flow, and so forth.

In the next month or so things should be fairly stable.

Mr. WYDEN. Initially they were not exactly tripping over themselves to give you financing?

Ms. THOMPSON. Not at all.

Mr. MITCHELL. Mr. Deutsch.

Mr. DEUTSCH. I didn't seek out capitalization at all in the first place. I am sure I would have had the same experience as everybody else did. I just have that feeling.

Being mine is not a capital intensive business, I just needed money for business cards and brochures. So my capital needs initially were not great.

Mr. WYDEN. To follow up---

Ms. HOFFMAN. Can I add something? We did get a line of credit at the bank a year after that and that has been very helpful.

Mr. WYDEN. I have a followup question to give us an idea of how the program we are looking at can work—given the fact that both of you initially had some difficulty obtaining capital. Ms. Thompson said they didn't know anything about the limousine business. Is that where the small business development center really was able to give you a hand? Did you then go to them and say, "We are having some problems getting credit. Could you make a call for us? Could you go to bat for us with a financial institution?"

If that is one of the things the small business development center does, when a small business is having difficulty getting access to capital, will they get on the phone and say, "You let these people in the door because they are a good credit risk and are going to do a good job."

That is one thing that really would sell me about the program. That is what I am interested in getting from you.

Ms. THOMPSON. Basically I would have to say that they were more helpful to us in putting the plan together, projections and so on. We were persistent in making our idea workable.

Mr. WYDEN. When you got your plan, which they helped with, then you were able to get the financial institutions to look at it.

Ms. THOMPSON. They looked at it a bit more favorably.

Mr. WYDEN. Ms. Hoffman.

Ms. HOFFMAN. We decided at that point not to go after the capital anyway. That was a decision that we talked over with the small business development center and it seemed like the right thing to do at that point.

I think their support has been primarily to get us to a point where we can go out and get the capital.

Mr. WYDEN. The major thing you were helped with is putting your plan together, so when you had a plan the financial institutions would look favorably upon your plan.

Ms. HOFFMAN. Yes; not so much with the plan as some of the steps before the plan.

Mr. WYDEN. Thank you very much, Mr. Chairman.

Mr. MITCHELL. Thank you.

Senator Gorton.

Senator GORTON. At the beginning of the hearing, both the chairman and I noted some time next year Congress is going to have to renew the small business development center program if it is to continue. I wonder from your point of view whether you have any suggestions to us, and I certainly include Mr. Ellis in this question

as well, as to changes which Congress should attempt to make in that program or from your view do we have a good thing going which you would just like to see us renew?

Ms. HOFFMAN. I would definitely like to see it continue.

I see being in business as a process, and stages of growth. I can see the small business development center as helping us through the next stages. I think it is very important to have them there as a continuing resource.

Perhaps there are some small things I would like them to provide if it were possible.

For example, I got a notice in the mail the other day from the Pacific Northwest Bell about a seminar on telemarketing. I thought, "That is something we are going to be doing."

I looked, and it was \$400, and I thought, "Not \$400 for a day."

So some of those kinds of more sophisticated tools I would like to see offered, possibly by the small business development center at a lower price, maybe for \$100.

I also think that resources and information might possibly be organized in terms of the stages that a business goes through.

For example, now that we are looking for capital, there is the whole question about registration and what do you need to do for the State, for the Securities and Exchange Commission, et cetera?

That is the kind of information that 2 years ago would have been meaningless to us, but now it is important. It might be interesting to do that in terms of the process that a business goes through.

Mr. ELLIS. I think to make this program continue to be effective takes several basic ingredients. It takes fine people. You have to have a good product or service to sell and then you have to market it.

I was not aware of this Washington State University program until I just happened to stumble on it through some other client.

Perhaps there could be a little more effective marketing to let people know what they can do to help people. I think they can get information on their program more widely disseminated.

I certainly referred a lot of people to them after I became aware of it.

In fact, probably I overworked them, if anything.

Based on people I have met, I think they have high caliber and energetic people that seem to have knowledge of what they are doing.

I went out to the University of Washington to attend a symposium about 3 weeks ago on entrepreneurship. There was an attendance of about 100. You wore tags to identify your interest—such as "I am in business," "I am not in business, but I want to buy a business," and so forth. And perhaps there was no one got more out of that than I did, because I could sense what each instructor was talking about, because I had some experience in it because of my career in banking and venture capital.

I called up the person the following Monday that put on the symposium and said: "You have a great program there. Don't let go of it."

Frankly, they were a little pessimistic. They kind of had their ups and downs over the last several years.

I told them they should certainly hang in there because I said, what you have out there is the key to everything: entrepreneurship. That is the thing that gets the whole country off the ground; that is the thing that is going to pay for the universities, pay for the Government and that is the basis of everything.

I just think what this organization is achieving here is to foster entrepreneurship.

Senator GORTON. Ms. Thompson.

Ms. THOMPSON. I would like to see some of the points that have been mentioned.

Also more visibility in the community and especially in the minority community. I would like to see more minorities on staff.

But that is basically it. Just more involvement of the community.

I happened to stumble on it through my partner, Steve, and being a student, that information was there for us to know about, but generally speaking I don't think it is as visible as it could be.

Senator GORTON. Thank you.

Mr. Deutsch.

Mr. DEUTSCH. Yes; I also advocate the continuation of the program. I found what was most valuable about it was the ongoing relationship that has been established.

It is not a one-shot deal where somebody comes and talks to you for an hour or two and then they are gone. There is a relationship established that is ongoing and I feel like 6 months from today, 1 year from today, whenever I pick up the phone and talk about what is going on, I can get some valuable information.

Senator GORTON. Thank you.

Thank you, Mr. Chairman.

Mr. MITCHELL. Thank you, and I thank all of the members of the panel.

What I propose to do is take a 10-minute break now and we will resume at 11:20.

[A short recess was taken.]

Mr. MITCHELL. Our hearing will now resume.

Our next witnesses are Mr. Anderson, Mr. Budnick, Ms. Lewis, and Mr. Wergen.

Mr. Anderson, do you want to lead off?

TESTIMONY OF CRAIG ANDERSON, PRESIDENT, ANDERSON AERO PHOTO

Mr. ANDERSON. Good morning. Thank you for having me.

Anderson Aero Photo photographs yacht races between Canada and Mexico as well as custom aerial photography of yachts and private and commercial real estate.

My business began 11 years ago stemming from a hobby with photography and an interest in sailing and flying. I had no business experience, nor did I have a realistic understanding of what it took to run a business. I thought I would take a picture, process it, and offer an enlargement at 50 percent above costs. I thought I would have a lot of fun plus earn some extra money.

The first 5 years, I did have some fun and I earned enough profit to continue the existence of Anderson Aero Photo. What I hadn't thought about, but had to deal with, were liability risks, costs of

operation, customer needs and demands, marketing, bookkeeping, taxes, et cetera. I learned a lot from mistakes and miscalculations. Fortunately, Anderson Aero Photo was not my main source of income. My failures and mistakes did not significantly affect the financial status of my family.

About 3 years ago, I happened to be in the building where the small business development center office was located. Curiosity prompted me to see what was the function of the SBDC. I had a brief, informative discussion with Bob Rodwell and received some pamphlets describing the program. I later made an appointment with him to discuss the program, then we determined that Anderson Aero Photo qualified to receive assistance.

Through additional meetings, we established what Anderson Aero Photo had accomplished. We determined a direction the business should go and what knowledge I would need to succeed at the objectives we set.

I discovered, through the discussions with Mr Rodwell, that my general business knowledge was quite limited. I think the greatest benefit from the program was this discovery. I was able to increase my knowledge through suggested reading materials, SBDC-sponsored seminars, and other sources recommended to me by the SBDC staff.

There was not a need for me to meet often with Mr. Rodwell as I had already survived many startup problems with my business. What I did learn from our meetings was why many of the problems happened and what I could have done to avoid or lessen the effects of these problems on my business. I also learned that a part-time business and a giant corporation use the same business principles.

The SBDC business seminars cover topics that are particularly valuable to the entrepreneurial-type businesses. I have attended several seminars on topics that I did not have experience or exposure to in my life. Personally, the most valuable seminars were cash-flow management, utilization of banking services, marketing, and salesmanship.

I received several informative SBDC publications and I purchased the book, "How to Proceed in Business—Legally," which the SBDC has produced. All have been valuable information resources for me.

In my opinion, the success of any program is wholly dependent on the individuals participating. Bob Rodwell, Bill Jacobs, and Jack Lawson have demonstrated their dedication and commitment to the success of this program. I have seen them working through lunches and know them to work long, personal hours. They encourage and discourage individuals based on rational facts, exchange ideas and business experience to educate and enlighten, conscientiously work for and care about the success of each client.

To enhance the effectiveness of this program, I suggest the following:

(a) Advertise the existence of this program more often to the general public.

(b) Prepare a film/video tape on starting a business, covering the topics an individual should know. This film could also contain sources of business information and agencies that give assistance to small businesses.

(c) Distribute this film frequently to community colleges, chambers of commerce, high schools, et cetera.

(d) Continue to provide quality seminars on a more frequent basis.

I have and will continue to enthusiastically recommend the small business development center to anyone who is considering starting a business.

Thank you.

Mr. MITCHELL. Thank you. We will put questions to all after we have gotten the testimony from everyone.

Next, Mr. Budnick.

TESTIMONY OF CHUCK BUDNICK, AMATECK CO.

Mr. BUDNICK. Thank you, Mr. Chairman.

The company that I started 3 years ago is in manufacturing. We fabricate mechanical structures for the electronic industry. It requires some pretty extensive capital equipment. As a result, we wanted to be sure we started on the right track. Two situations or two phases of management that we felt that we needed help on is during the initial planning phase, where we developed the operations budget, and second, the last phase, which is developing the necessary controls to know whether we are accomplishing anything along the way.

The first phase, basically, we requested evaluation of the initial data that we pulled together, so it was merely a confirmation and some suggestions of where we were conservative and where we were completely unrealistic. The last phase, in my opinion, is probably the most critical because most small companies do not have the adequate controls developed that absolutely demand getting the feedback to see whether you are making any progress. This is the principal area where the SBDC organization specifically—again I will mention one name, Bill Jacobs—was extremely useful in developing the bare minimum documentation that is required, not only for the sake of providing us feedback as to where we are, but also the bare minimum necessities in documentation required for both the State and Federal agencies, such as IRS.

That was, in my opinion, a fairly important contribution, because it is fairly easy to either ignore the documentation required or to absolutely burden yourself to death with it, to the point where you cannot perform the function of growing the business.

The area that I feel is perhaps lacking in the SBDC is unavailability of some legal service. A small company in particular, cannot very readily tolerate \$65 to \$100 an hour service. The most difficult area is not necessarily in getting decisions, legal decisions, but at least in providing what options are available to us, and perhaps even more importantly to define the problem clearly enough such that you don't spend a great deal of time with a lawyer you have to pay.

And that is an area that I feel that perhaps is lacking, that I personally consider extremely important along the way. And I suspect the gentleman right next to me indicated the legal aspects are extremely critical in his organization as well.

Thank you very much.

Mr. MITCHELL. Yes, sir. Thank you.
Mrs. Lewis.

TESTIMONY OF PENNY LEWIS

Mrs. LEWIS. Yes; good morning. I am Penny Lewis. I am a manager of a small gift shop that has been running for 9 months in Seattle. About 2 years ago I was asked to take this job as the manager and developer of this new gift shop. The purpose was to benefit a nonprofit organization called Cathedral Associates, in Seattle. They provided a variety of talks, lectures, and musical series at St. Mark's Cathedral here. The most famous of that selection is the Messiah every Christmastime.

My first problem was to decide whether or not this sounded like a reasonable thing for me to do as an individual. I had not very much experience in the business world, and I was asked to do something that I really had never done before. I discovered the small business development center through a newspaper article in one of the Seattle newspapers describing a young woman in a very similar situation who found a great deal of assistance and help through the group. So I called them up, by just reading the newspaper article.

Bill Jacobs was a tremendous help to me, because he helped me find the answers I needed in order to decide whether this was a reasonable thing for me to do, whether or not the potential business would be available, whether or not I had the expertise or the interest or the enthusiasm or the background to do this.

The next step was for Mr. Jacobs to help me decide the kinds of things we needed to do to set up the business. He guided me through that process, gave me the kind of questions I needed answers to, the kind of people I needed to talk to, the kinds of questions that would be helpful to me in setting up the exact kind of situation we needed. He suggested doing a survey of the people who were potential buyers, which has been incredibly valuable to me. I see that day in and day out, the kinds of products I provide, the price of the products and all that sort of thing.

Then later Mr. Jacobs came in and helped with the board that I am hired by—a nonprofit organization of volunteers, who, again, bring their small areas of expertise to this group, but have their own lives and their own jobs that they are really most responsible to. And so he came and was an adviser to how we can set up our financial papers and reporting systems so that people could understand it better and have a better handle on what was really going on.

It is an ongoing thing. I feel like I have a friend and adviser who I can call, who understands me as an individual, me as a business person, and me as a member of this group trying to achieve a goal. And I feel it has been a very important thing to my success as an individual and the shop's success as a shop.

Mr. MITCHELL. Thank you.
Mr. Wergen.

TESTIMONY OF BILL WERGEN, PRESIDENT, RAINIER COPY
PRODUCTS

Mr. WERGEN. Thank you, Mr. Chairman.

Prior to coming to the meeting this morning, I went upstairs to the SBA and rummaged through their library. Before me I have a number of pamphlets and brochures which are very nice.

I may be a little unique. Of all the people that have given testimony this morning, although the subject hasn't come up, I have a small business guaranteed loan. I am not sure that any of the other people this morning have.

In behalf of Mr. Jacobs, who I thought I would come and help a little bit, I would like to give him a smear campaign, because if we say too much more about him, he will get promoted and end up some place else, and we won't have his help.

I wanted to mention at the time that the SBA loan was approved, there was a sheet as part of the package that required my signature. It was a request for small business assistance or counseling which I signed. At the time I thought, of course, all things being equal, for the amount of money we are talking about I will accept whatever they want. This is not a very important thing. I was instructed that I would possibly have a SCORE person, possibly a graduate student, and I am not sure that the SBDC was mentioned at the time, but it was a choice for me to go to. This was part of the package.

I was looking through my loan package last night, and there was a very interesting small paragraph that says, "The borrower shall not contract for management consulting services without prior approval of the lender and the SBA." As part of the condition of my loan, what they are really saying here is that I had to have the bank's approval and SBA's approval to go seek formal counseling, which I certainly would have paid for.

My loan was approved in January 1981, and I called the SBDC a couple of times and I received correspondence from Washington State University. Later I tried to make contact, I believe it was in the early summer and everybody was vacationing. So later in the fall I did make contact with Bill Jacobs, and his card is one of the few business cards I carry. He is right between my Texaco card and Blue Cross card. I even have his phone at home. I have not used that yet.

I own all the stock in a 6-year-old company. Our primary product is copy machines and office equipment. It grew from 3 people to where last year we did 1.4 million dollar's worth of business and 23 people.

By my standards and vision I anticipated that I would be happy receiving checks from some person who wanted to be successful after my success, and the economic conditions, some internal problems, really turned the business into where I am working harder today than I did prior to owning the business. I have less. There was testimony earlier that somebody refused to put their house up. I have a first, a second, and a third. I told the Senator that I had given everything but my 15-year-old. They just know, we are not going to take the food bill on this one.

My real involvement with Bill Jacobs and SBDC and the significant strong feelings I have for him as a result of this come because I have had some problems with my bank, who felt it would be better that I wasn't in business than to continue. He was an excellent liaison. I discussed things with him as required. We went through a revision of our payment program to SBA. As a matter of fact, he has requested to use as a benchmark for people who have to go back for SBA and make changes in their original agreement with him.

I feel—and haven't thought of it earlier—but the legal aspects of running a business are horribly expensive. We do have the good benefit of consulting services. I know that you cannot buy formal consultation or people with experience for less than \$75 to \$125 an hour. And you won't get any more from those professionals, because I have paid the price, and I know what I am getting today. And that is one area that we are very fortunate, the small business people, to have access to.

That is my testimony.

Mr. MITCHELL. Thank you. Very interesting testimony. I was fascinated by all the witnesses. None of you had been in business before, this was your first. And one is a for-profit entity, the company itself; then you give your profits to a nonprofit entity.

Mrs. LEWIS. We are part of a nonprofit organization to raise funds to support them. This is the object of our shop.

Mr. MITCHELL. You see, before you people who are sympathetically concerned about small business and Federal efforts on behalf of small business. Not all the Members of the Congress share a concern about Federal efforts on behalf of small business. How do you respond to this kind of what I call social darwinism that says, "OK, you want to go in business, go, learn the hard way, make your mistakes; if you don't make it, that is your fault, the Federal Government has no duty or responsibility to be propping you up." That is an extreme kind of social darwinist position.

How do I answer those people, those few critics who say that the Federal Government has no duty, no responsibility to provide any kind of Federal programs. Under the American free enterprise system you make it on your own? If you were in my position, what would you say to them?

Mr. WERGEN. Maybe I can just say we had a picnic 2 years ago. And I never had seen the entire group of employees and children together, and spouses. I found that I was responsible for 47 people.

Mr. MITCHELL. Employees?

Mr. WERGEN. Employees, children, spouses. It is a big responsibility. And I will be very candid. There have been times when I have not taken a paycheck because there wasn't enough. I am not Sorrowful Sam. But when we got some in, I got mine. That is a terrible responsibility. You interview for people, you entice them to come because of what you feel is a good opportunity, you train, you grow, you become almost fraternal.

I am not sure that people at any level are sympathetic. I am going to really break your heart. I get up at 4:30 every morning, and drive 14 miles. I drive my car on the ferry and I take a 1-hour ferry ride every day. I don't think I have been home prior to 8 o'clock at night for 11 months. I probably work 6-day weeks and

some 7. I don't know if it is my upbringing, or my attitude; I have had a tough time, but I still wear nice clothes; I still have my sanity; I still have my company; I still have my family. And a lot of it has to do with what is available to me.

I would specify that I think the banks should understand a little bit more about business than ratios. The subject came up earlier. I think Congressman Wyden questioned whether financing has been a problem. It certainly has. They go to all kinds of banking schools, but I am not so sure they know very much about business.

Mr. MITCHELL. Anyone want to comment on the question?

Mr. BUDNICK. The question with regard to justification for support of small businesses. I think there are probably two very good reasons, one of which was pointed out earlier by some of the SBA directors, or SBDC directors that spoke earlier with regard to the percentage of employed people within the small businesses in the United States. I don't remember the exact number, but the number was pretty sizable.

From my perspective, I see a tremendous amount of productivity in small businesses. Like the gentleman next to me, we work pretty darned hard to make the business go. Likewise the people within that organization seem to have a totally different attitude in terms of achieving a pride in producing an item.

The quality aspect I think is significantly different in small businesses than extremely large organizations. I did come from two fairly large companies prior to starting this business, so there is an element fairly unique in the small businesses. I hope with those two responses, they will be adequate.

Mrs. LEWIS. I would like to draw on my experience as a professional nurse to say in a lot of cases preventive medicine saves us an awful lot of time, money, and energy. I think the same thing can be applied to this situation. Small businesses are very important to our country, the whole concept of free enterprise. By doing a little bit in the right places, we can save an awful lot of problems and expense later.

Mr. MITCHELL. Thank you.

Senator Gorton.

Senator GORTON. Mr. Anderson, is yours still a part-time business?

Mr. ANDERSON. It is still part time. I don't really see it ever becoming full time. However, through the experiences of getting this business going, through that which I have learned from the small business development center, I have a greater awareness from my regular job of trying to understand what is going on in the business of the executives higher up in the corporation. I feel if an opportunity—and I am always looking to get into a business that would be self-satisfying and provide a viable product or service for the community comes alone—I would have a greater chance at having that business be a success and having fewer errors in the startup from what I have learned so far.

Senator GORTON. Thank you. Thank you, Mr. Chairman.

Mr. MITCHELL. Congressman Wyden.

Mr. WYDEN. Just one quick one. Both of you gentlemen gave us some general testimony that is very helpful. You also mentioned problems of legal services. Did you contact any agencies? My first

thought is about SCORE, whether or not the retired lawyers are available to help you with some of the problems.

Senator GORTON. Lawyers don't retire.

Mr. WYDEN. One thing counsel told me, we were just talking about whether or not SCORE did have retired lawyers. There may be a legal problem—I understand—waiver of liability. Lawyers are not allowed to waive their liability. You gentlemen told us this is something you might like to see us go out and do, to try to use retired lawyers and others to try to provide some modest amount of assistance. That might be something we could change by legislation or regulation.

Mr. BUDNICK. One comment on that. I wasn't aware of any availability of any such individuals. SCORE is probably one option. I wouldn't be interested in getting a specific decision, a legal decision. I would be extremely interested in getting a definition of some of the problems. That is the time-consuming element. That is the area I would need some guidance in, just a broad range of options that might be available and the implications of each of the options. I think we can make decisions ourselves and take the responsibility. I would be quite willing.

Mr. WYDEN. In other words, you don't need someone to take you to the Supreme Court; you are interested in just general background information to get you off the ground.

Mr. BUDNICK. Correct.

Mr. WYDEN. Mr. Chairman, I think that is something we ought to take a look at, if it would be possible, either through SCORE or some other process, to see if we could get some lawyers. One of the other things that strikes me is a lot of lawyers have had experience in business problems. I think that might be an addition to the program that could be quite helpful. I will follow up with the staff.

Mr. MITCHELL. I made a note on that, too. Although I cannot be absolutely certain, it seems to me within the SBA organizational structure itself, there might be some method of providing that kind of legal service. I think that is already a part of the SBA structure. If it is not working or not there, it is true we need to sit down and address this problem.

Next, Ron Sailer, Dick Foster, Keith Herrell, Christa Little. Thank you for being here. We have received testimony from each of you. We would be most appreciative if you would highlight your testimony.

Could we start off first with Mr. Sailer?

TESTIMONY OF RONALD K. SAILER, PRESIDENT, AUTOMATED BUSINESS SERVICES, INC.

Mr. SAILER. Mr. Chairman, I am president of the Bill Jacobs Fan Club. I would just like to express how I was involved with him.

I am active in the chamber of commerce. This organization that he is with is a little-known entity. I learned about it during the time when our business was struggling. I am in the computer service bureau business. We have been in business 9 years. We have gone from five employees down to two. Technology has changed such that many of the clients are buying their own computers.

I had to reevaluate my position in the market to really determine which way I was going and in the process of that ran across Bill. He, as an extra set of eyes and ears, was very helpful to me in determining that my planning was going in the right direction.

These decisions you make as a small business person, you feel like the Lone Ranger at times. And having someone coming in at a time when you could not afford to pay professional help this was an extremely helpful situation. And for that reason, I encourage you to support this organization and extend its service to our business community.

Thank you.

[Mr. Sailer's letter of July 5, 1983, follows:]

AUTOMATED BUSINESS SERVICES, INC.,
Lynnwood, Wash., July 5, 1983.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Committee on Small Business,
Washington, D.C.

GENTLEMEN: The purpose of this letter is to make a statement regarding the Small Business Development Center program and my experience with the Advisory Group of Washington State University.

Counselor Bill Jacobs met with me and reviewed our financial statements and sales plans. He evaluated our direction and goals and offered suggestions and methods for improvement. He continues to work with me and his advice proves very helpful. Having a third party review my policies and goals gave me the added confidence I needed.

Although we have been clients for only a short period of time, I feel this type of service should be made available to small businesses and I encourage you to continue to fund this organization, and similar ones, because of its value to the business community.

Sincerely,

RONALD K. SAILER, *President.*

Mr. MITCHELL. Before we hear from the next witness—I don't normally say this as it is very proper that we go through the process of the admiration of civil servants, but am I right in assuming no one had any problem at all with SBDC? What I am trying to get at is, we have heard a lot of glowing testimony. If it is a great organization, fine, but it can always be improved. I am sure even Bill Jacobs can stand some improvement. I just wanted to let you know if there have been problems, we want to hear about them also.

Senator GORTON. Mr. Chairman, Congressman Wyden and I have to leave. I wish to beg the pardon of the witnesses. I have read all your testimony. We will leave the balance of the hearing in the hands of the gracious and capable chairman. I am most pleased and delighted he is here with us today.

Mr. WYDEN. Mr. Chairman, let me also extend my regrets I cannot stay with you.

We thank you very much for your testimony. We will make sure we read it as part of the record.

Mr. Chairman, also again let me tell you how much I have enjoyed the last few days. Being a new Member of Congress, I am still having first-time experiences. I cannot tell you how much I have enjoyed the last 2 days with you. Thank you for taking time from your busy schedule and making this possible. I just hope we can lure you out to the beautiful Northwest again.

Mr. MITCHELL. Thank you again for all your cooperation.

Ms. Little.

TESTIMONY OF CHRISTA M. LITTLE, PRESIDENT, DOCUMENT SERVICES, INC., AND CHAIRMAN, ALTCOM CORP.

Ms. LITTLE. I am Christa Little, president of Document Services, Inc., which is a firm providing computerized legal support services to private law firms and public agencies. I am also chairman of ALTCOM Corp., a telecommunications company.

In the interests of time, I would like to just identify where I think the SBDC has been of greatest assistance to our firm, although I have involved them many, many times with both companies.

I am one of the stories that Quentin Ellis spoke about in terms of his relationship in financing a firm. Our Document Services was formed about 3 years ago. Last year it did approximately one-half million dollars in business and employed up to 40 people. ALTCOM is about 2 years old. We are doing several million—approximately \$5 million in business today—and we employ about 25 people and add about three people each month.

I should also say that I have an SBA loan. I have utilized the services of SCORE, some of the student programs, as well as the SBDC, so I think I have had quite a broad exposure to some of the programs that are offered.

After founding ALTCOM, we were so successful I had to almost immediately go out for additional venture funding and was looking for a considerable sum of money, certainly more than available through local banking sources. I was looking for equity funding.

Possibly because I had a young firm and was a young woman, I found I had difficulty gaining access and credibility with venture capitalists. I feel that the SBDC provided an extremely valuable resource to me, first of all in helping prepare a business plan which would meet the requirements of venture capital firms. Second, in the presentation of that plan to firms such as People's SBIC. And third, working out the agreement, the funding agreements with them. I had not had the exposure to that type of financing previously. It really is a different world.

The SBDC was extremely valuable. I feel that the credibility that Robert Rodwell had with the SBIC—we all have our own fan clubs here—really was very instrumental in helping us acquire timely financing for the company, to enable us to continue our growth pattern.

I feel that really there is no other place where we as small businesses can turn to for this type of quality assistance. Certainly I do not have the money to go out and purchase these services. But I am not even sure I could have even if I had the funding.

I think that SBDC has been successful for a number of reasons. First of all, it is accessible to all elements of the business community. I speak as a woman business owner. I am sure minority firms have some of the same problems. We don't have some of the same networks that men business owners often have. I think SBDC provides a real function for those of us who are still developing our own support networks.

Second, the ties with privately sponsored programs, for instance, the SBDC nominated several of us to attend a national banking pilot program about financing, which was helpful.

Third, the provision of useful information, which I think is recirculated. I did want to make a comment. I don't think the statistics in terms of the number of firms that are helped, the number of employees, is really totally accurate, because I know I pass on information and materials constantly which I receive from the SBDC, as well as making many, many referrals.

The fourth factor is the professionalism of the staff. I understand that the State of Washington's organization is somewhat different than that found in some other States. I would really emphasize my feelings about the success of the organization here in this State, and the use of highly qualified professionals.

There are certainly business organizations where you can get the input of other business owners, but when I needed help, I needed quality help, and that is what I received from the SBDC. So I think that is an extremely important factor.

The fifth is the stability and the longevity of both the staff and the program in that these are people that we can refer to again and again on numerous problems and issues. I think other people have referred to this and its importance. There is a stability that we can go back to these people for help. In fact they do develop their own fan clubs.

Finally, in terms of recommendations, I would suggest that the committee continue the program and possibly increase its support. I think it is important to maintain the quality staff and the approach, at least in this State, that has been so very successful.

I would agree with many people that there ought to be more visibility, some additional marketing of the program. I am concerned, in fact, if the word gets out that this program is going to become overloaded, because it is just an excellent program, and they should have the resources required to provide the services on a broader basis.

Finally, I would like to say this is one of those Government programs which is a quality, cost-effective program. I have never spoken to anyone who was dissatisfied with the service that they have received. I was in Government for many years before going into business, and that is an unusual statement, that it has been extremely successful for all of those people that I have contact with.

Thank you.

Mr. MITCHELL. Thank you.

[Ms. Little's prepared statement follows:]

PREPARED STATEMENT OF CHRISTA M. LITTLE, PRESIDENT, DOCUMENT SERVICES, INC.,
AND CHAIRMAN, ALTCOM CORP.

Thank you for the opportunity to testify in support of the Small Business Development Center program.

My name is Christa Little and I am a small business person here in Seattle. I am currently President of Document Services Incorporated, which provides computerized legal support to private law firms and public agencies. I am also Chairman of ALTCOM Corporation, a company providing competitive long distance and related telephone services to thousands of other small businesses.

I first heard of the SBDC from another business woman who had received help in formulating a business plan. Not long after, I attended a cash flow management seminar conducted by the SBDC and arranged for a visit and review by a SBDC staff member, Robert Rodwell. During its first year, DSI received assistance from the SBDC in a number of areas, including business planning, pricing and marketing. In its second year DSI did approximately half a million dollars in business and employed up to forty people.

Two years ago I started ALTCOM on the premise that other small businesses were looking for ways to increase the impact of their telephone expenditures. ALTCOM is now the region's leading provider of value-added telephone services to small and medium sized businesses. We have received tremendous support from the small business community. In fact, our greatest problem has been keeping up with the demands of our subscribers, which has required tremendous expansion of our capital base.

My experience with the SBDC in finding funding for a growing business is an excellent example of the value of the program. ALTCOM almost immediately filled its initial equipment capacity and required additional funding to allow the company to expand. Although I had prepared a comprehensive business plan with the assistance of the SBDC, I found that as a younger woman entrepreneur with a very young company, I had limited accessibility and credibility in locating venture capital. The SBDC then introduced our business plan to a local bank SBIC and worked with us in putting together a funding package with the SBIC which enabled us to bring in several highly regarded investors. Without the SBDC's assistance, ALTCOM would have had difficulty in completing a timely financing to continue its growth. Today, ALTCOM is doing million of dollars in business annually and employees a staff of about 25, to which we are adding approximately three people each month.

I believe the Washington State SBDC is so successful because of a number of factors:

(1) Accessibility to all elements of the business population. For myself and a number of other small business women without extensive business background and contacts, the SBDC has served as an invaluable support and information resource enabling us to develop our companies while establishing ourselves in the local business network.

(2) Ties with privately sponsored programs. The local SBDC nominated a number of local business women to attend a pilot program related to financing of small businesses sponsored by a national banking organization.

(3) Provision of useful information and written material. I have found material provided by the SBDC useful year after year. Within the last few weeks, for example, I have passed on SBDC material on business planning to a number of small business associates.

(4) Professionalism of the staff. Because SBDC are experienced business people, they immediately gain the respect of clients, professionals and others, such as venture capitalists. It was the SBIC's respect for Bob Rodwell that gave immediate credibility to ALTCOM. Furthermore, the broad experience of the staff make them an excellent resource in a wide variety of areas, from cash management to marketing.

(5) Stability and longevity of the staff and program. After becoming familiar with a business, the SBDC may help a business in a number of areas as it grows and encounters new problems. The business person does not need to educate a new volunteer or student with each contact and the quality of the assistance remains at a uniformly high level.

As a small business person, I have found the Small Business Development Center the single most useful program available in this area. I know this view is shared by numerous others who have turned to the SBDC at critical points in establishing or expanding businesses here in the Northwest. I would encourage the Committee to continue and increase its support of this very effective program.

Mr. MITCHELL. Mr. Foster.

TESTIMONY OF RICHARD A. FOSTER, PRESIDENT, DIVERSIFIED INDUSTRIES

Mr. FOSTER. I am Dick Foster from Port Angeles, a very small community northwest of here. I am here representing three entities. I am listed as president of Diversified Industries, which is for the handicapped, a nonprofit organization, a client of SBDC. I have

also been asked to bring a letter and comment briefly on the experience of the city of Port Angeles for the mayor, and she has a statement here.

Also unable to attend today is Bob Levin, director of our economic development council in the county. He asked me to bring a statement. So I am really here representing about everything going on in Port Angeles with the small business development center. That is a substantial presence and activity that started about 3 years ago.

You asked if it is a good program. I think everyone says it is. And if you look around at what else is available, it is outstanding. I think most of us have dealt with other programs. I have dealt with SCORE and I have dealt with SBA and I have dealt with other kinds of counseling. I think each perhaps has its place in its own community.

I have worked on the same case with a client, with SCORE, and with the small business development center. I am also a business consultant privately, and I work with both SCORE and the SBDC. I am also a college teacher, so I am involved in some of the educational aspects, and even do seminars, I must confess.

I think one of the most important things about this program is it is not a program of tomorrow. I heard some testimony this morning about tomorrow.

Running a small business or organization, and I am talking not only about business, nonprofit organizations, city and county, they are all facing the same kinds of economic problem. It is very, very difficult to face the changes we are all seeing. I have not seen anyone provide the kinds of stable, mature judgment and linkage to all kind of resources that the people in this program here do. They really perform as a link. I have worked with them on initial financing, on marketing, on cash flow. I think I have worked with them in all phases, and found them competent in all of them.

I have referred many of my clients to them who otherwise would not have been helped, they could not afford the kind of help they needed. There is nowhere in my community they could get the broad help they needed. Every consultant has limitations, and they seem to find the resources necessary. The diversified industry program is one of trying to figure out how to operate a \$180,000 greenhouse for use by handicapped.

You asked about agricultural programs. We have gone to the university and said: "How do we operate a greenhouse, how do we stay in the black and use handicapped individuals in a greenhouse setting?" The university is holding our hand and will be for some time. We are going to the university on selection and installation of a computer system, partly for the greenhouse.

In the county, we were, I think, among the first, if not the first, to work with the small business development center on a community economic problem where we actually shared the cost with the program. We put up \$20,000 and I think the university and SBDC put up at least that much to do an investor guide of our county. That guide has been completed and is being mailed. I think it is excellent for a small community and would never have been possible without the SBDC. We have a problem now in our community, an economic problem. As you know, logging, papermills are slowing

down. We need to replace those jobs. We have thousands of jobs that will be gone. This is a very vital piece of business.

We just recently asked the program to do a study of Port Angeles.

Mr. MITCHELL. SBDC?

Mr. FOSTER. They are going to do the study with the university.

So we are involved in many ways. I can say to you that our city and our county would not have been able to do what it is doing financially or in terms of competence without the program. So we are a client in many more ways than most, including governmental.

Mr. Mitchell. Thank you.

All of the statements you have mentioned will be entered into the record along with your statement.

[Mr. Foster's prepared statement with attachments follows:]

PREPARED STATEMENT OF RICHARD A. FOSTER, PRESIDENT, DIVERSIFIED INDUSTRIES

The SBDC program is a very effective and uniquely administered program. It is of particular importance in the Northwest, and probably in other areas of the country, during this period of economic change, dislocation and opportunity. I have been involved with the program for three years in several ways:

Referring clients, including some of mine, to SBDC.

As president of Diversified Industries, a non-profit handicapped program, and a client of SBDC on two programs—operation of a greenhouse and products manufacturing operation.

As a board member of the Clallam County Economic Development Council, a client of SBDC.

Often economic opportunity is present but the elements for change or growth are lacking—expertise, resources, organization, will, etc. SBDC provides those services and advice necessary in a given situation to "make things happen." Without such help—the right kind of action may never begin or will not be well planned nor timely. The social cost of such struggling is far more than the cost of providing the program.

SBDC staff provide support, give confidence, work out ideas, approaches, follow through, get the right parties together, and provide access to valuable resources, including those at Washington State University.

Unfortunately, most of us are helpless, or certainly feel helpless when economic change occurs. It is very important to have available a team to provide guidance and support—SBDC provides such a team.

This community is aggressively pursuing:

Industry and development through an investment guide prepared in cooperation with SBDC.

Harbor use through a multi use harbor study to be done by SBDC and WSU.

New business ideas with consultant support from SBDC.

The SBDC is an important program to us and will make a big difference in our success. Its work in Clallam County is expected to help other communities through the SBDC sharing approach with ideas—each does not have to be re-invented.

As a taxpayer, business consultant, college teacher, and ex bureaucrat with federal grant programs, investment in this program is a wise economic investment. As a client we appreciate the help. As a taxpayer and citizen, I strongly urge your continued support.

Thank you for coming to the Northwest and for hearing our comments.

CLALLAM COUNTY,
ECONOMIC DEVELOPMENT COUNCIL,
Port Angeles, Wash., July 5, 1983.

Mr. PARREN J. MITCHELL,
Congress of the United States, House of Representatives, Chairman, Committee on
Small Business, Washington, D.C.

Mr. Chairman and Honorable Committee Members, My name is Robert Levin and I am the Executive Director of the Clallam County Economic Development Council

(CCEDC), a non-profit, private corporation whose 'raison d'être' is to foster economic stability and diversification in a county whose primary employment centers on the wood products industry and tourism. Clallam County lies across the northern half of Washington's Olympic Peninsula, the Northwest corner of the Pacific Northwest. We are presently entering the second year of what I consider to be an outstanding relationship with the W.S.U. SBDC.

Therefore, I would like to begin by acknowledging the immeasurable assistance provided us by the W.S.U. Small Business Assistance Center and Jack Lawson. It is not often that rural communities can muster the "resources"—managerial, technical, personal, financial, etc., to provide small business entrepreneurs with experienced professional counseling. Although CCEDC provides small business assistance, we tend to focus on methods to increase capital availability to stimulate employment. The SBDC program fulfills a different demand for services heretofore unavailable in either the public or private sector. Of course, there are existing federal programs to assist healthy established small businesses, yet historically they are short run oriented. Although these programs (S.B.A. S.C.O.R.E., etc.) provide general direction as a whole, they do not provide personal counseling and guidance from problem identification to problem solving. Approach and one-on-one counseling. This function is extremely important in Clallam County where 82% of the business establishments have ten or fewer employees (nationally the figure is 74%).

Another significant element of the SBDC program that I am reminded of by clients is that the service is being provided by W.S.U. and not by a federal agency in Seattle. People in Clallam County are both responsive and willing to accept assistance from a local State university, whereas the same may not be asserted for the federal officers in Seattle.

I strongly recommend that the subcommittee continue this program in Washington State.

Thank you,

ROBERT A. LEVIN, *Executive Director.*

CITY OF PORT ANGELES,
Port Angeles, Wash., July 5, 1983.

MR. PARREN J. MITCHELL,
Congress of the United States, House of Representatives, Chairman, Committee on
Small Business, Washington, D.C.

Mr. Chairman and Honorable Committee Members, I am pleased to be able to testify in support of the Washington State University Small Business Development Center. Their program has a new and vital meaning for those living in Port Angeles and the surrounding area.

Port Angeles faces a very difficult decade. Its base economy—logging and pulp mills—is phasing down and new replacement diversified economic activities are urgently required. We face the same challenges and pressures in economic change as most of the country, but ours is immediate and more far-reaching.

Unfortunately, Port Angeles is not equipped to deal with issues of this size and input. A need was recognized two years ago to seek outside expert guidance and assistance, and examine problems and opportunities objectively. This process led us to the Small Business Development Center where a contractual arrangement between the Economic Development Council and the SBDC evolved. The City is an active participant and supporter of the Clallam County EDC. This arrangement produced documents and a process aimed at attracting new economic activities. Without the SBDC, it is doubtful the work would have been completed upon which to initiate marketing efforts.

The City has also requested the SBDC to conduct a harbor study of the Port Angeles harbor. Our unique harbor has been primarily used for transportation dependent users. In recognition of the potential uses beyond transportation, we expect the study to guide users to fuller and more diversified use of the harbor, among our most significant economic resources. Again, without the SBDC and support from WSU, it is doubtful the study would be conducted and that their resource could be utilized beyond its present limited uses.

We in the City of Port Angeles feel very fortunate to have the assistance, guidance, and support of the WSU and SBDC and believe their relationship will have very significant economic impact and paybacks for many years.

Thank you.

DOROTHY DUNCAN, *Mayor.*

Mr. MITCHELL. Mr. Keith Herrell.

TESTIMONY OF KEITH HERRELL, PRESIDENT, GRAYS HARBOR
COUNTY ECONOMIC DEVELOPMENT CORP., AND ON BEHALF
OF THE WASHINGTON STATE CHARTER BOAT ASSOCIATION

Mr. HERRELL. Thank you, Mr. Congressman.

I am wearing several hats today also. I am here on behalf of the Washington State Charter Boat Association, which represents 500 small businessmen, and as president of the board for the Grays Harbor County Economic Development Corp., and as a businessman.

These folks kind of stole my thunder. I would echo all of the good things they said about the small business development center in particular. I have worked primarily with a fellow by the name of Jack Lawson, who has a fan club, too, and another gentleman from the university, Ed Owens, who does some magical things with numbers, which has been very helpful to the charter boat association.

My experience with the small business development center really started back in 1979 when we asked them to do a survey for the Westport Charter Boat Association. Incidentally, I am from Westport, which is out on the coast. It is the salmon capital of the world. I hope you will come out and help us catch one.

Our community is much smaller than Port Angeles, as a matter of fact. We depend primarily on fishing and tourism now in particular, with the bad condition of the timber industry.

For the State charter boat association, let me say that following the implementation of the *Bold* decision, we suffered some devastating kinds of things. As a matter of fact, about 60 percent of the businesses involved in sports salmon fishing have failed in the last 3 or 4 years. The assistance of the small business development center helped us stop that trend in a number of ways.

Primarily they have been involved in collecting and assessing data and comparing it with the data that the State uses, working with the State fisheries department. Together we have been able to salvage a minimum season. Prior to the decision, or the implementation of the decision, the sports salmon businesses, which includes a lot of tourism-related businesses, motels, restaurants, charter boats, et cetera had enjoyed a 5- to 6-month season and \$50 million a year to the county economy and about \$200 million to the State economy.

Last year we had an 83-day season. Those problems are not yet behind us but we are learning to live with the new order of things. The attrition was terrible. Many of those who have survived owe the SBDC something for their survival, because the SBDC put together programs that helped them to do other things and taught us to do some things we had not considered before.

I am just echoing what the other people have said. These are a heck of a bunch of guys. The university, the resources of the university, together with business professionals, people like Jack Lawson who have been successful businessmen in their own right; they are problem solvers. They provide the kinds of practical solutions for small businesses that work quickly and efficiently, and provide the kind of credibility that let me sit across the table from the governor and say: "These are the numbers, Governor." We did

that this year, because the university provided the numbers. They do one heck of a job.

In my written testimony, I made some other comments about the SBA. For my money you can abolish the SBA program. I suggest maybe you transfer that money to the SBDC. My experience with the Small Business Administration has been unbelievably dismal. I don't go there any more, and I don't send anybody there any more.

When we went to them, they did not provide any assistance. They provided a lot of advice. Much of it was not good. In fact, I don't recall any of it that was particularly good.

So my suggestion again with regard to that is unless SBA is doing something else for the typical small business, it is a cruel hoax to tell small business men they do.

[Mr. Herrell's prepared statement with attachments follows:]

PREPARED STATEMENT OF KEITH HERRELL, PRESIDENT, GRAYS HARBOR COUNTY ECONOMIC DEVELOPMENT CORP.; AND ON BEHALF OF THE WASHINGTON STATE CHARTER BOAT ASSOCIATION

The Association would like to take this opportunity to comment on our involvement with the Small Business Development Center (SBDC) and the tremendous value it has been to our industry and several coastal communities on the coast of Washington State.

To have a better understanding of the role the SBDC has played in our industry, let me briefly tell you about the charter boat industry and the difficulties it has had to endure.

Our industry was at its peak in 1977 when over 380 vessels representing a capital investment of over 33 million dollars operated from the coastal communities of Ilwaco, Westport and Neah Bay. These vessels carried more than 400,000 anglers resulting in economic contributions of over 50 million dollars.

In the following five years, the industry crashed. Angler trips fell by more than 60%, the fleet dwindled to just over 180 vessels. These drastic reductions were largely due to a drastic decrease in the length of the sport salmon fishing season from over 180 days in 1977 to just 83 days in 1982.

In the midst of the bottom falling out from under our industry, we went to the SBDC for help. They responded by coming into our communities with enthusiasm and providing professional assistance to help our troubled industry get back on our feet. Through the use of comprehensive surveys, they showed us new marketing areas and ways to diversify our business. They have supplied vital economic data to this States Governor's office and to the Pacific Fishery Management Council that has lead to increased allocations of the salmon harvests to the recreational fisherman which has helped to lengthen and stabilize our fishing seasons.

I am certain that without the help of professionals like Jack Lawson of the SBDC, our industry would have continued to fall. I sincerely hope that this committee will come to realize how important and helpful this service has been to the small business community and will continue to support this very important program.

HARBOR CHARTERS,
Westport, Wash., July 5, 1983.

Mr. PARREN J. MITCHELL,
Chairman, Committee on Small Business,
Washington, D.C.

DEAR REPRESENTATIVE MITCHELL: I am currently President of the Board for Grays Harbor County Economic Development Corporation, I served as Commodore of the Westport Charter Boat Association from 1978 to 1980, and filled a number of other posts with the Chamber of Commerce, Grays Harbor Tourism Council, and others, and I operate several small businesses in Westport, Washington.

My experience with the Small Business Development Center began in 1979 with a survey and other assistance for the Westport Charter Boat Association and a direct, almost continuous, string of projects followed assistance to the City of Westport, Grays Harbor Economic Development Corporation, Grays Harbor Tourism Council, Washington State Small Passenger Vessel Association, etc. I have followed other

projects like the contract with Clallam County to set up an Economic Development Corporation and the saving of the essential rail line between Metaline Falls and Sandpoint, Idaho, with much interest. I am extremely impressed with their willingness and ability to solve problems related to small business. I've been associated with many federal programs over the years. The Small Business Development Center is absolutely the most effective state or federal small business program I've ever seen. Their success is in large part due to the extraordinary first hand small business experience of their representatives.

In the Seattle office most of my contact has been with Jack Lawson, who in addition to being an experienced, successful small businessman, is a sincere, hard working realist who is willing to tackle anything within reason. He is astonishingly adept at identifying problems and finding realistic, practical solutions that small businesses can put to use quickly and effectively.

My experience with the Small Business Administration goes back over several years. It specifically includes attempting to obtain disaster relief funds for Westport businesses following the astronomical increase in petroleum prices in 1979 and the eruption of Mt. St. Helens in 1980, both of which devastated many Westport businesses. It is my opinion that the SBA is made up of do-nothing bureaucrats looking for boondoggles. They do little or nothing for the typical small business. Leading people to believe the SBA assists the typical small business is a cruel hoax that keeps applications coming in to justify their existence. I suggest the SBA be abolished and their funding be transferred to the small business development program.

Yours truly,

KEITH HERRELL, *President.*

Mr. HERRELL. I would like to respond to your earlier question regarding what you should tell the people who ask you why Congress should support small business.

Mr. MITCHELL. Really a particular program. That was the thrust of my remarks.

Congress is going to say they support small business, but there are others who are going to say we shouldn't be spending a Federal dollar on any program to help small business. That was the thrust of my question.

Mr. HERRELL. My response to that is to echo what two or three people here have said, and that is, small business provides an awful lot of employment for an awful lot of people. There are a lot of us out there that work awfully hard for no money and we are going to keep those people employed.

In my particular situation we have done that for 5 successive years. We have shown a real loss for 5 years, but we have continued to employ between 10 and 20 people.

As the gentleman who sat in this chair before me said, you develop a pretty close relationship with those people and you do take some responsibility for them when they do a good job for you.

After several years in the military and considerable experience with the Federal and State bureaucracies, I have suggested to my son that he enter small business and not get involved in that rat race.

I think it is much more satisfying and much more productive, and I think the United States ought to support it.

Mr. MITCHELL. Thank you. We have received excellent testimony from all of you.

I am going to put one general question to you.

In other programs in the Federal Government, criticisms have been raised: Yes, you got some help from this program as a small business person, but if you are really good, when are you going to get out on your own?

They are going to say there are a limited amount of dollars going into the small business development center program.

In this instance the university cannot increase its participation. Critics are going to say, shouldn't there be a mechanism by means of which you, when you enjoy a little more success, can cut the cord with the small business development center?

That is a charge, a statement that has been made with reference to many other Federal programs assisting minority businesses and small businesses.

In fact, they go beyond that. In some instances the agencies have said, "Beyond 5 years, you are out. We don't care what your needs are, you are just out."

Do you envision that kind of rigid timeframe being imposed on your participation with the small business development center, or do you envision a time when you can say "OK, I am so thoroughly on my own I can move away from it. I won't bother to call Bill Jacobs or some of these other people."

That is a very important question for me because there is a theory in government right now that says "Beyond x amount of months or years, if you haven't made it, if you can't stand on your own, you shouldn't expect any more Federal support or resources."

Can you envision a time when you will never need the small business development center?

Ms. LITTLE. If I may address that, my companies basically have reached that point. It has been quite a while since I have called on the small business development center for any direct help. I think that I would say that there should not be a definite timeframe because every business is different.

The point at which you reach some success changes with the type of business. However, I think that most people, as they establish themselves and they are able to handle some of the concerns and problems they have, the dollar resources, and the staff resources, do use their own resources and appreciate the support they have received in the past.

There might be a particular situation which comes up where there is a service that could be provided through the center in a unique way, but I think primarily there is a movement beyond assistance.

Also, I think a number of us feel once we have grown beyond that, if there are ways in which we can assist, such as by talking to a small business development center client who is in a similar business. I have not met a group of small business people who are more open to that type of support of a program, because of the support they have received from the program in the past.

Mr. MITCHELL. Yes, sir.

Mr. SAILER. I don't believe that the long-term program for any business is that healthy. I think it is like going in for medicine. You get a little help here and a little help there, but in the long term you have got to be weaned away from that support; you have got to be on your own feet.

I have been with the program less than 6 months. It helped me through a very difficult time. I don't expect to be a long-term client, but I do expect that others who are in the same boat should have that opportunity. I feel we are through the worst of it.

Mr. MITCHELL. Mr. Foster.

Mr. FOSTER. I want to say that I don't consider the program for the terminally ill. It may be for those that have economic dislocation problems that are ill, but not terminally ill. I can recall several cases in working with clients with the small business development center when the immediate reaction in looking over some of the first material was that this business is not viable, and the best advice is for them to close the door and forget the idea.

That advice has been given out and so I have never felt that they took on a terminally ill client that I am aware of, and they were never hesitant to give that very difficult advice to someone, "We don't see a path for you."

We had one yesterday that was referred to me from the small business development center, a client with a small business had been led down the road to get some help and prepare an SBA loan and called me in the hope of getting some help to prepare that loan.

I talked to them on the phone for about 10 minutes. I learned this: This person was 100 percent disabled, and had had a recent heart attack, ulcer problems, no assets, was living basically on social security type disability income, and was getting ready to go to a bank or SBA for a loan.

I said you might as well forget it because there is no way there will ever be a loan for that person and probably in conjunction with the small business development center we saved that person a great deal of agony and false expectations, and we worked out another way for him to proceed in his business.

I have been involved with various counselors, and you have heard their names here, and they have not been hesitant to say "I am sorry, there is nothing here."

So I don't think it is a governmental program that goes on forever looking for clients.

Mr. MITCHELL. What would be your reaction to a fixed term under which any business could benefit through small business development center services?

Mr. FOSTER. I am an ex-bureaucrat, which you may have read in my testimony. I used to manage the National NOAA Coastal Zone Management Assistance Program to States. You are probably familiar with that program. It was authorized for \$1.2 billion. Many bureaucrats in Washington wanted to make that program live forever.

The States loved it as long as the strings were long and loose. We set a definite time for that program. I think that was fair.

I think there ought to be a measure of assistance. As the gentleman here said to those where there is a good economic return, I think the economic test ought to apply to this program. It should not be a handout. It ought to face the economic test and be available for all those with good intentions and likelihood of succeeding and not go on forever. There ought to be a limit.

Mr. MITCHELL. Mr. Wergen.

Mr. WERGEN. I would agree there should be a limit. I would like to point out a couple of things.

There are two kinds of clients, or perhaps more, but two basic categories: Those that are independent businesses that receive help

from small business development center, and the other kinds of thing, like the city of Port Angeles, to the State charter boat association. The SBDC is able to help more people with less dough than any program I have ever been associated with.

When you talk about some kind of a limitation, I think that the limitation for the kind of aid, assistance, advice, whatever, that the charter boat association, representing 500 small businesses, needs is not the same as a businessman should need.

You might say, for example, the independent businessman should be cut off in a year or 7 months or whatever the time turns out to be, but the problems that confront a whole industry or a whole county are kind of ongoing and changing all the time and they need a source of information.

That is basically the assistance that small business development center provides to them.

Mr. MITCHELL. Where there is an overall economic development program tied in with a political entity of some sort, a small business development center should not cut off at any point its advice, counsel and help.

But, where there is the independent business person, there should be a time limit as to how long he or she should use the services available to them.

Nobody mentioned a time limit. I am not going to ask you, because all of us have to wrestle with that problem of imposing almost an arbitrary time limit. You have indicated it varies. It may vary depending upon the industry, upon a whole lot of circumstances.

Mr. WERGEN. I would like to emphasize something. I don't know about the national program, but I know about the program here in Seattle. They know what the bottom line is, and the bottom line is profits, and they never miss—at least I have never seen them miss.

When you don't have a viable program, they won't encourage you to continue. They are pros—these guys have been there, know what it is all about.

Like Mr. Foster, I have seen on more than one occasion where they just say, "You don't have a viable program, and we cannot help you."

Mr. MITCHELL. It has been very helpful, very, very helpful testimony. It gets tougher each year to go out on these field hearings, but I gain so much more by going out to a particular location, rather than having witnesses coming to Washington. I am not saying those who come in are not beneficial, but you get much more of a sensitive flavor of what is going on when you get out there where the action is really taking place.

I want to thank all of you very, very much.

I don't think we have any other witnesses. We have a few more who were scheduled to testify.

Are Ms. Hosking, Mr. Barnes, Ms. Tobie, or Dr. Clark here?

If not, we thank you. The hearing now stands adjourned, but the hearing record will be kept open to receive testimony from those witnesses who could not be here today.

Without objection, I will submit the prepared statement of Dr. Clark to be inserted at this point in the record.

[Dr. Clark's prepared statement follows:]

PREPARED STATEMENT OF D. JOSEPH CLARK, PRESIDENT, INTERACTIVE VIDEO DISC, INC.

My background is that of teacher and scientist and I have recently moved into the business world through the creation of a small company in electronic publishing.

My discipline is microbiology and molecular genetics and I have taught general biology at the University of Washington for the past ten years. I have had a strong interest in the teaching of undergraduate students and developed two instructional Centers at the University of Washington which assisted instructors in improving their teaching. The most recent Center called the Center for Instructional Development and Research has an active program of seminars, workshops, and individual counseling as the main part of its mission.

While I have a strong background in problem solving and communication, I have very little experience in business matters. With information which indicates that 80 percent of small businesses fail, I was motivated to seek counseling from professionals whom I believed could provide guidance on the way to a successful business venture. The Small Business Development Center has been very helpful in three primary ways:

1. Providing useful clarification, direction and advice, through counselors.
2. Setting up an analysis, review and recommendations by students at Seattle University as the basis of a business plan.

3. Assistance in doing market research to ascertain the viability of our product.

The first two of these have been extremely valuable and the third activity is ongoing.

In conclusion, my experience with the Small Business Development Group and with my counselor, Mr. Jack Lawson has been positive. The concept of providing formal and organized support at the Federal level to persons starting new businesses is certainly valid. Apparently, it is working since the success ratio of clients of this group seem to succeed at a much greater rate than the norm.

Mr. MITCHELL. The hearing now stands adjourned.

[Whereupon, at 12:30 p.m., the joint committee hearing was adjourned, to reconvene subject to call of the Chair.]

APPENDIX

JOHN SPELLMAN
Governor



RICHARD T. SCHROCK
Director

STATE OF WASHINGTON

COMMERCE & ECONOMIC DEVELOPMENT

General Administration Building • Olympia, Washington 98504 • (206) 753-5630 • (SCAN) 234-5630

August 15, 1983

The Honorable Parren Mitchell
Chairman of the U.S. Congress
House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Mitchell:

Subject: Testimony in Support of Small Business Development
Centers and Extending Public Law 96-302 through
S.1429

While I was unable to attend your July 6 hearing in Seattle on Small Business Development Centers (SBDC), I did wish to submit this letter of support for S.1429. The SBDCs have been very effective in the state of Washington and provide a well coordinated program of assistance for our small business community. Since we have a very small staff for our State of Washington Office of Small Business, the SBDCs are a necessary complement. Without this program our state's small business community would have very few sources of assistance. Please be assured we work very closely with the SBDC to avoid any duplication of effort. In fact, we have a formal cooperative memorandum of agreement on our respective duties, which is attached.

We encourage your Committee to give full consideration to extending the SBDC Act of 1980, Public Law 96-302, by approving S.1429.

Sincerely,

A handwritten signature in cursive script, appearing to read "Doug Clark".

Doug Clark, Manager
Office of Small Business

DC:DAB:56/52

MEMORANDUM OF AGREEMENT
FOR SMALL BUSINESS ASSISTANCE

THIS AGREEMENT is made and entered into by and between the Washington State Department of Commerce and Economic Development, an agency of the state of Washington, hereinafter referred to as "Department," and Washington State University, an institution of higher education and an agency of the state of Washington, hereinafter referred to as "University." The provisions of this agreement apply specifically to the Office of Small Business of the Department, hereinafter referred to as "DCED" and to the Small Business Development Center of Washington State University, hereinafter referred to as "SBDC."

I. RECITALS

A. Small businesses are an essential element of the state's economy. They have unique needs and problems that must be dealt with to ensure a healthy economy. More than ninety (90) percent of all Washington businesses are small businesses; they provide jobs for approximately one-half of the state's workers; they ensure essential economic competition; and they broaden the base of Washington industrial activity. Existing small businesses must be conserved and viable new small businesses established.

B. The Washington State Legislature has assigned responsibility for economic development, including assisting small businesses, to the DCED. The Federal Small Business Administration has assigned certain responsibility for assisting small businesses to the University and its SBDC. The state legislature has recognized this relationship with the Small Business Administration and has authorized the expenditure of funds for federal matching purposes. The DCED and SBDC programs have existed side-by-side for several years and have maintained a high degree of cooperation and coordination. Each of the two agencies contributes unique strengths to the state's small business assistance efforts through their complimentary and non-duplicative programs. This memorandum of agreement between the two agencies will ensure that their programs continue to be fully coordinated and nonduplicative, and that the small businesses of the State of Washington derive maximum benefits at the lowest cost.

II. AUTHORITY

A. With respect to DCED programs, they are authorized in accordance with RCW 43.31.010, RCW 43.41.370 (OFT), and RCW 43.31.925 (OSB).

B. With respect to SBDC programs, they are authorized in accordance with Public Law 96-302, Title II, "Small Business Development Center Act of 1980."

C. This agreement is entered into pursuant to the provisions of the Interlocal Cooperation Act, Chapter 239, Laws of 1967, RCW 39.34.

III. PURPOSE

This agreement is for the purpose of establishing a coordinated partnership in planning, funding and implementing small business assistance programs; for the purpose of achieving maximum cost effectiveness from available state and federal small business assistance funds, and for the purpose of avoiding duplicative effort by defining the relationships and responsibilities of the parties to this agreement.

IV. ADMINISTRATION - SMALL BUSINESS ADVISORY BOARD

A. There shall be established a Small Business Advisory Board, hereinafter referred to as "Board," consisting of eight members. Board membership will consist of the following members:

1. The director of the Washington State Department of Commerce and Economic Development or his designee,
2. The dean of the Washington State University College of Business and Economics or his designee,
3. The chairperson of the Washington State House of Representatives Labor and Economic Development Committee or his designee,
4. The executive director of the Independent Business Association of the state of Washington or his designee,
5. Three members at large to be jointly designated by the director of the Department and the president of the University. Members may come from the business sector of the state of Washington, or from the Regional or District offices of the Small Business Administration.
6. The chairperson of the Washington State Senate Commerce and Labor Committee or his designee.

B. The Board shall elect a chairman and shall meet semi-annually at the call of the chairman, and at such other times as may be required.

C. The Board shall provide advice and counsel, and shall evaluate Division and SBDC programs to ensure that state and federal program intent is being met in the most expeditious,

cost effective, and nonduplicative manner. It shall make its recommendations jointly to the Director of the Department of Commerce and Economic Development and the Dean of the College of Business and Economics of the Washington State University.

V. ADMINISTRATION - OPERATIONS

A. The SBDC shall continue to be responsible to the University and to present and future sources of small business assistance funding (e.g. Small Business Administration, Department of Commerce and Economic Development, etc.) for program deliverables, fund utilization, performance and financial reports, and for all other program elements and activities for which it may be held accountable under the terms and conditions of grants and contracts.

B. DCED shall continue to be responsible to the Governor for state funded small business assistance programs including program deliverables, fund utilization, performance and financial reports, and for all other program elements and activities for which it may be held accountable under the terms and conditions of appropriations, grants, contracts, and the laws of the state of Washington.

VI. FINANCIAL

A. The Department and the University, in consultation with the Board, shall develop unified budgets for small business assistance programs provided by them, which budgets, comprising both state and federal funds, shall, in the future be included in budget recommendations by DCED.

B. State funds appropriated to the Department and designated to match federal grants to the SBDC shall be transmitted to the University by the Department in accordance with the terms and conditions of written contracts between the Department and the University and accordingly established fiscal procedures by the Office of Financial Management.

C. No administrative or overhead charges will be levied by the Department or the University on state funds appropriated to the Department and designated to match federal grants to the SBDC, except to recover actual costs of state and/or federal audits.

D. Other supplemental funding that may, from time to time, be received by the University from the Department may include indirect costs in accordance with applicable regulations of the Washington State Office of Financial Management.

E. DCED, in consultation with the University and the Board, shall be responsible for developing and initiating appropriations requests for state funding required to match SBDC federal funding.

VII. RESPONSIBILITIES

A. DCED shall be solely responsible for the selection of its employees, public relations, financial accounting, reports preparation, and for all development and management activity pertaining to its programs which shall include, but not be limited to, the following:

1. As part of its responsibility to the Legislature, and to the SBDC program, provide a focal point for small business dealings with federal, state, local governments, and private resources;
2. Work with professional, business associations and service organizations on behalf of small business;
3. As specified in RCW 43.31.925, arrange for and hold conferences which provide worthwhile training and dissemination of information beneficial to the state's small businesses.
4. Foster participation by small businesses in providing services and materials to state agencies;
5. Monitor state and federal legislation and suggest proposed changes in state legislation beneficial to the small business community;
6. Prepare and distribute publications of benefit to the small business community.
7. Coordinate efforts at state level to provide for relief from unnecessary and excessively burdensome administrative regulations of small business.
8. Provide those services legally required by state and federal statutory and contractual obligations of DCED.

B. The SBDC shall be responsible, consistent with established University policies, for the selection of its employees, public relations, financial accounting, reports preparation, and for all development and management activity pertaining to its programs which shall include, but not be limited to, the following:

1. Provide substantive and in-depth counseling to small businesses in such areas as business skills assessment, business law information, capital formation advice, technical assistance, general management, etc.;
2. Conduct applied research in such areas as management audits, market studies, financial analysis and feasibility studies, etc. including publications activity resulting from research activity;

3. Determine the higher education institutions who may participate in the SBDC program, and administer the Small Business Institute program* for those institutions that are now, or may become, members of the SBDC program;
4. Evaluate the export capability of individual small business clients and, for more technical requirements, refer clients to the Office of Foreign Trade of the Department.
5. Provide all services to small businesses in conformance with federal legal and contractual obligations.

*Under a Small Business Institute (SBI) program, the university or college provides the manpower to assist the SBA to help small businesses. Normally students are used for this work. They work under the direction of the Director of the Small Business Institute, a regular faculty member and/or other professors at the college or university.

C. The DCED and the SBDC have a joint responsibility to:

1. Provide general information upon request by small business clientele. Referrals to the SBDC by the DCED and to the DCED by the SBDC shall be made as appropriate;
2. Cooperate in establishing operational relationships with other organizations, public and private, that are engaged in and essential to the improvement of small business activity, including international trade;
3. Coordinate their activities with the federal Small Business Administration, the federal Economic Development Administration, the federal International Trade Administration, the small business committees of the two houses of the United States Congress, and other federal and state agencies formed for the purpose of aiding small and minority businesses and improving international trade activity.

VIII. REPORTS

DCED, as a participant in the SBDC program, will send copies of its regular monthly activity reports and financial summaries of expenditures used for matching services to the SBDC for its use in reporting to the Small Business Administration. The SBDC will provide the Division with a copy of its regular monthly report to SBA that will include appropriate Division program credit. SBDC shall provide such other reports to DCED as may be required as the result of OFM directives or state appropriation requirements.

FILING

copies of this agreement shall be filed with the city clerk, county auditor, and secretary of state prior to its entry into force pursuant to RCW 39.34.040.

X. DURATION, AMENDMENT, TERMINATION OF AGREEMENT

This agreement shall be effective upon the final date of signature and accomplishment of all filing requirements as provided herein. It shall continue to be in effect until the Department and the University mutually agree to amend or revise it. The agreement may be terminated by either party upon thirty (30) days written notice to the other party.

APPROVED AND AGREED

Washington State Department of
Commerce and Economic Development

[Signature]
(Signature)

Director
(Title)

November 19, 1981
(Date)

Approved as to Form
Assistant Attorney General

Washington State University

[Signature]
(Signature)

President
(Title)

February 12, 1982
(Date)

Approved as to form
Assistant Attorney General

DC:31/106-111